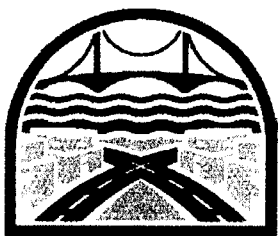


# **Michigan Municipal League Liability and Property Pool**

## **Comprehensive Annual Financial Report (CAFR)**

**December 31, 2004**

Letter of Transmittal.....	A
Organizational Chart.....	B
Independent Auditor's Financial Report.....	C
Investment Composition.....	D
Investment Schedule.....	E
Reinsurance Receivables.....	F
Reinsurance Exhibit.....	G
Claim Reserve Analysis Schedules.....	H
Ten-Year Claim Development Information.....	I
Comparative Statements of Revenues and Expenses.....	J
Operating and Demographic Data.....	K
Reinsurance History.....	L
Reinsurance Historical Evaluation.....	M
2004 Reinsurance Structure.....	N
Actuarial Certification.....	O
Membership Listing.....	P



# MICHIGAN MUNICIPAL LEAGUE LIABILITY AND PROPERTY POOL

MICHIGAN MUNICIPAL LEAGUE  
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Ann Arbor, MI 48106-1487

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May 25, 2005

## BOARD OF DIRECTORS

ANTHONY FURTON  
Chairman  
City Manager  
City of Menominee

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Vice Chair  
Mayor  
City of Norton Shores

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Executive Director  
Michigan Municipal League

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KATE LAWRENCE  
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RICHARD I. LEWIS  
City Manager  
City of Traverse City

RICHARD ROOT  
Mayor  
City of Kentwood

SAMUEL R. RYE  
Mayor  
City of Adrian

MICHAEL J. FORSTER  
Pool Administrator  
Michigan Municipal League

Mr. David Piner, Manager  
Office of Financial and Insurance Services  
Insurance Monitoring Division  
Ottawa Building, 3<sup>rd</sup> Floor  
611 W. Ottawa  
Lansing, MI 48933-1070

Dear Mr. Piner:

This is an introduction to, and summary of, information contained in the Comprehensive Annual Financial Report (CAFR), for the Michigan Municipal League Liability and Property Pool (Pool).

## I. Background

The Michigan Municipal League (League) formed the Pool pursuant to the Michigan Intergovernmental Cooperation Act, P.A. 138 of 1982, as amended. The Pool became operational in December, 1982.

The Pool membership consists of governmental agencies throughout the State of Michigan including cities, villages, townships, counties, public authorities and special districts. As a condition of membership in the Pool, each public agency must be either a member or an associate member of the Michigan Municipal League.

The legal basis of the Pool and its organization are set forth under the terms of a Pool Intergovernmental Contract which is entered into and signed by each Pool member. The Pool Board of Directors must approve the admission of each Pool member.

The Pool enrolled about 50 member municipalities during its first year of operation in 1983. Pool membership has fluctuated over the years, and at December 31, 2004, stands at 393 members with annual gross earned premiums of \$25.1 million.

## II. Pool Governance

A nine-member Board of Directors governs the Pool. Eight members of the Board are elected by mail ballot. The ninth Board member is the Executive Director of the League, who serves ex officio. The terms of office of the eight elected Board members are three years.

The Board designates a three-member executive committee to act on its behalf between meetings of the full Board of Directors, if necessary.

The League provides administrative and financial services to the Pool Board of Directors under the terms of a service contract. The Pool administrator and staff are employees of the League. A staff organization chart is attached.

### **III. Pool Coverages**

As authorized by Michigan law, the Pool provides a wide range of insurance coverages to its members with the details spelled out in a manuscript Pool coverage document. Liability coverages consist of general liability, public official's liability, police liability and automobile liability.

The minimum limit of liability provided by the Pool is \$1 million per occurrence. The Pool offers optional limits of \$2 million, \$5 million and \$10 million per occurrence.

Since its inception, the Pool has been a member of the Michigan Catastrophic Claims Association. The Pool provides members with standard no-fault automobile coverage as well as coverage for automobile physical damage.

The Pool coverage document provides comprehensive property coverage with total insured values of more than \$3.3 billion.

### **IV. Reinsurance**

The Pool purchases reinsurance excess of its retention. For 2004, the Pool retains the first \$500,000 per occurrence of each liability loss.

The Pool liability reinsurance is arranged in four layers, as follows: \$500,000 excess of \$500,000; \$1 million excess of \$1 million; \$3 million excess of \$2 million; and \$5 million excess of \$5 million. All liability reinsurance is on a per occurrence basis. On property risks, the Pool retains the first \$100,000 per occurrence and has an aggregate retention of \$2.5 million.

Internal solvency procedures for qualification of reinsurers have been implemented to provide reasonable assurance that participating reinsurers are financially sound.

All Pool member contributions and the investment income earned thereon are maintained to pay the Pool's retained losses and administrative expenses. There are no provisions for member assessments.

### **V. Service Contractors**

A. The Pool Board of Directors has contracted with Meadowbrook Insurance Group for the performance certain services including underwriting, rating, policy issuance, statistical and record keeping work, loss control services and claims administration set forth in a service agreement. Prospective Pool members must complete a membership application identifying various exposures. Standard rates are then applied to the various exposures in order to produce Pool premiums sufficient to cover losses and expenses as projected by an independent actuary. Individual Pool member premiums are adjusted in accordance with the member's loss experience.

B. Investment Management

The Pool Board of Directors has contracted with Munder Capital Management of Birmingham, Michigan and Invesco - National Asset Management of Louisville, Kentucky for investment management services. The Brice Group of Bloomfield Hills, Michigan is retained to provide a quarterly review of the investment managers' performance.

C. Actuarial Services

The Pool Board of Directors has engaged the services of Tillinghast - Towers Perrin for actuarial services. An actuarial rate review and certification of loss reserves are performed annually by Tillinghast for the Pool.

D. Pool Auditors

The Board has engaged the firm of PricewaterhouseCoopers to audit the Pool's financial statements.

**VI. Pool Tax Status**

In 1985, the Pool applied for and received a written ruling from the Internal Revenue Service. It states that Pool income is tax-exempt.

The mission of the Pool is to provide a long-term, stable, cost-effective risk management alternative for members and associate members of the Michigan Municipal League. A knowledgeable Board of Directors, focused administrative staff and high quality service providers and reinsurers combine to protect the financial interests of the Pool and its members. I trust that the information provided here completes and responds to your requirements. Please contact me if you have any questions or need anything further.

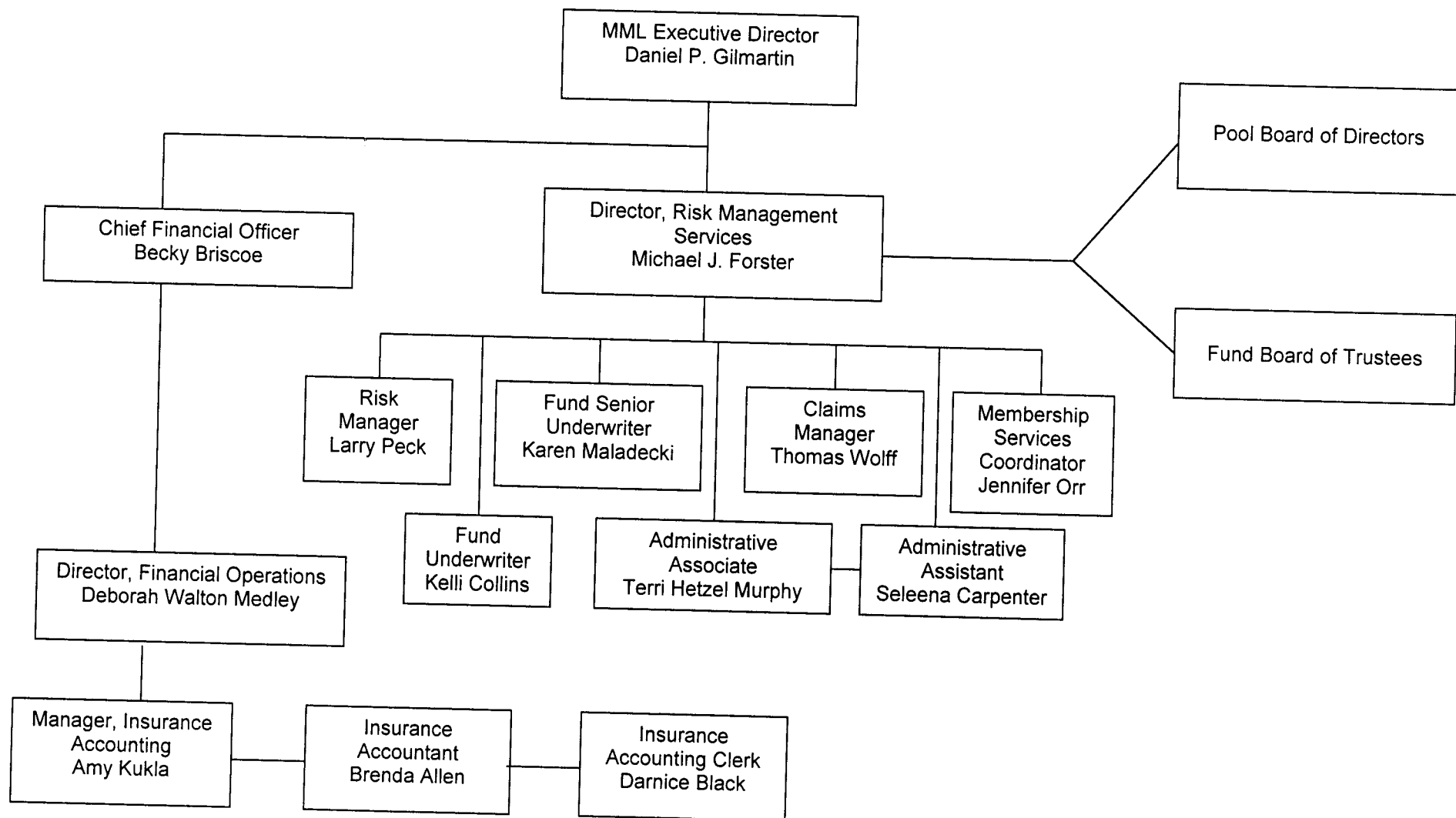
Sincerely,



Michael J. Forster  
Pool Administrator  
Michigan Municipal League

# MML Risk Management Operations Staff Accountability

April 2005



**Michigan Municipal League**  
**Liability and Property Pool**  
Financial Statements and Additional Information  
December 31, 2004 and 2003

**Michigan Municipal League Liability and Property Pool**  
**Index**  
**December 31, 2004 and 2003**

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	<b>Page(s)</b>
<b>Report of Independent Auditors</b> .....	1
<b>Management's Discussion and Analysis</b> .....	2-8
<b>Financial Statements</b>	
Balance Sheets .....	9
Statements of Revenues, Expenses and Changes in Accumulated Members' Equity .....	10
Statements of Cash Flows .....	11
Notes to Financial Statements .....	12-17
<b>Additional Information</b>	
Report of Independent Auditors on Additional Information .....	18
Notes to Ten-Year Claims Development Information .....	19
Ten-Year Claims Development Information .....	20

**Report of Independent Auditors**

To the Board of Directors and Members of the  
Michigan Municipal League Liability and Property Pool

In our opinion, the accompanying balance sheets and the related statements of revenues, expenses and changes in accumulated members' equity and cash flows present fairly, in all material respects, the financial position of the Michigan Municipal League Liability and Property Pool (the "Pool") at December 31, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Pool's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 2, the Pool adopted the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis – for State and Local Governments* in 2003.

The management's discussion and analysis on pages 2-8 are not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*PricewaterhouseCoopers LLP*

May 3, 2005

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# **Michigan Municipal League Liability and Property Pool Management's Discussion and Analysis (Unaudited) December 31, 2004 and 2003**

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## **The Reporting Entity**

The Michigan Municipal League (League) formed the Michigan Municipal League Liability and Property Pool (Pool) pursuant to the Michigan Intergovernmental Cooperation Act, P.A. 138 of 1982, as amended. The Pool became operational in December 1982. The mission of the Pool is to provide a long-term, stable, cost-effective risk management alternative to members and associate members of the League. The Pool provides services intended to reduce the frequency and severity of losses occurring in the operation of local government functions. It also defends and indemnifies its members against legal liability or loss in accordance with the terms of its Intergovernmental Agreement and Coverage Document.

The Pool is comprised of municipalities and related agencies throughout the State of Michigan including cities, villages, townships, counties, public authorities and special districts. As a condition of membership in the Pool, each public agency must be either a member or an associate member of the League.

The legal basis of the Pool and its organization are set forth under the terms of a Pool Intergovernmental Contract which is entered into and signed by each Pool member. The Pool Board of Directors must approve the admission of each Pool member.

Our discussion and analysis of the Pool's financial performance provides an overview of its financial activities for the fiscal years ended December 31, 2004 and 2003. Please read it in conjunction with the Pool's financial statements, which begin on page 9.

## **Financial Highlights**

- Membership levels and premium rates remained stable during 2004. Earned premiums increased less than 4% overall, primarily as a result of member exposure increases and increases in Michigan Catastrophic Claims Association assessments.
- Total assets increased from the prior year by \$3.8 million or 5.6%, primarily as a result of lower claims payments and the increase in earned premiums. In 2003, the Pool's total assets increased \$3.3 million or 5.1%.
- The Pool reported an operating gain in 2004 of \$3.9 million compared to an operating gain in 2003 of \$3.6 million. In addition to the changes in premiums and claims referred to above, reductions in reserves for prior year losses also contributed to the operating gains reported for 2004 and 2003.

## **Overview of the Financial Statements**

The Pool's accounting records are maintained on an accrual basis, which is in accordance with generally accepted accounting principles. Financial data is presented for both the current and prior fiscal year. Financial data is also compared to an annual budget adopted by the Board of Directors.

## **Additional Information**

### ***Notes to the Financial Statements***

The notes provide additional information that is integral to a full understanding of the financial information presented in the financial statements. The notes to the financial statements begin on page 12.

**Michigan Municipal League Liability and Property Pool  
Management's Discussion and Analysis (Unaudited)  
December 31, 2004 and 2003**

***Supplemental Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain supplementary information regarding the Pool's ten-year claims development history. The determination of current member rates to cover the assumed risk of possible future loss occurrences is largely guided by claim development. Trends in claim development indicate whether losses are increasing, decreasing or static. Required supplementary information is located on pages 19 and 20.

***Annual Adopted Budget and Budgetary Controls***

Each year the Pool adopts an annual operating budget for the current year. The budget is presented to the Pool's Board of Directors for final review and adoption. The Board approves any interim amendments to the annual budget. The Pool Administrator prepares the budget and reviews expenditures on a monthly basis.

**Michigan Municipal League Liability & Property Pool  
Budget Variance Analysis  
2004 Year  
As of December 31, 2004**

	Budget	Actual	Variance
Member premiums earned	\$ 24,000,000	\$ 25,173,739	\$ 1,173,739
Less: Reinsurance premiums expense	8,000,000	10,023,227	2,023,227
Net member premiums earned	16,000,000	15,150,512	(849,488)
Investment income including the change in fair value of investments	2,705,000	2,052,258	(652,742)
Total revenues	18,705,000	17,202,770	(1,502,230)
Loss and loss adjustment expenses incurred, net of reinsurance	10,500,000	8,969,070	(1,530,930)
Service agent, marketing and risk control fees	3,923,000	3,909,659	(13,341)
Administrative expenses	513,402	434,876	(78,526)
Total expenses	14,936,402	13,313,605	(1,622,797)
Excess of revenues over expenses	\$ 3,768,598	\$ 3,889,165	\$ 120,567

The following is an explanation of the significant variances of the budget to actual for 2004:

Member premiums earned exceeded the budget primarily as a result of an increase in member exposures, higher Michigan Catastrophic Claims Association (MCCA) assessments and increased reinsurance costs. Increases in member exposures produces higher reinsurance costs, which are ultimately factored into the premiums paid. MCCA assessments, which are also factored into member premiums were higher than anticipated in the 2004 budget.

Although reinsurance premium rates remained flat, overall costs exceeded the budget by \$2 million. In addition to exposure increases and a 45% increase in MCCA assessments, a portion of the unfavorable variance was related to additional reinsurance premiums related to 2003 that were determined in 2004.

**Michigan Municipal League Liability and Property Pool**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2004 and 2003**

Investment income did not meet 2004 budget expectations. Investment income can fluctuate due to changes in market conditions and interest rates. The 2004 budget reflects an assumption of a favorable investment market environment. However, the market did not rebound as anticipated, which resulted in lower investment income and market values. In addition, changes in the market value of the portfolio were not reflected in the budget.

Losses and loss adjustment expenses, net of reinsurance were lower than anticipated due to the continued impact of numerous favorable case law decisions affecting governmental immunity law and sewer back-up claims, paid claims and IBNR reserve adjustments.

**Comparative Balance Sheet**

	2004	2003	2002
<b>Assets</b>			
Cash and cash equivalents	\$ 1,458,367	\$ 1,060,627	\$ 2,514,403
Investments, at market value	65,597,780	61,505,990	54,618,782
Accounts receivable	166,968	82,634	146,632
Premiums receivable	308,561	303,458	306,981
Claim deductibles receivable	498,008	792,033	1,034,471
Reinsurance receivable on paid claims	741,845	1,253,208	3,084,680
Accrued interest receivable	590,238	543,968	575,830
Deposit with reinsurer	-	62,660	85,889
Investment in NLC Mutual Insurance Co. at cost	1,414,953	1,414,953	1,414,953
Prepaid expenses and other assets	529,196	482,089	453,366
<b>Total assets</b>	<b>\$ 71,305,916</b>	<b>\$ 67,501,620</b>	<b>\$ 64,235,987</b>
<b>Liabilities and Accumulated Members' Equity</b>			
Net reserves for losses and loss adjustment expense	\$ 11,938,646	\$ 12,659,689	\$ 13,229,579
Net reserves for IBNR loss and loss adjustment expense	22,794,347	23,371,695	22,978,111
Reserve for unallocated losses	812,000	812,000	812,000
Unearned member contributions, net	9,723,638	8,301,181	8,281,920
Amounts due to reinsurers	-	-	144,568
Accounts payable	143,728	352,663	368,781
<b>Total liabilities</b>	<b>45,412,359</b>	<b>45,497,228</b>	<b>45,814,959</b>
Accumulated members' equity	25,893,557	22,004,392	18,421,028
<b>Total liabilities and accumulated members' equity</b>	<b>\$ 71,305,916</b>	<b>\$ 67,501,620</b>	<b>\$ 64,235,987</b>

The Pool's total assets increased 11% over the past two years, from \$64.2 million to \$71.3 million. Total liabilities decreased slightly by 1% since 2002, from \$45.8 million to \$45.4 million. Accumulated members' equity increased 41%, from \$18.4 million to \$25.9 million. The increase in the Pool's financial position is a direct result of implementing an investment strategy that seeks reasonable investment returns, and stabilizing claims and operating expenses over the past two years.

**Michigan Municipal League Liability and Property Pool  
Management's Discussion and Analysis (Unaudited)  
December 31, 2004 and 2003**

**Capital Assets and Debt Administration**

The Pool has no long-term debt. All material commitments and contingencies are disclosed in Note 6 on page 17 of the financial statements. The Pool has no plans to encumber any debt or enter into additional commitments in the foreseeable future.

**Operating Results and Changes in the Pool's Accumulated Members' Equity.**

	2004	2003	2002
<b>Operating revenues</b>			
Member premium earned	\$ 25,173,739	\$ 24,294,519	\$ 22,507,378
Less: Reinsurance premiums expense	10,023,227	8,277,194	7,885,956
Net member premium earned	15,150,512	16,017,325	14,621,422
Investment income	2,517,180	2,572,332	3,014,042
Increase (decrease) in the fair market value of investments			
Realized gains (loss)	72,811	65,389	(235,195)
Unrealized gains (loss)	(537,733)	896,251	42,703
Total operating revenues	17,202,770	19,551,297	17,442,972
<b>Operating expenses</b>			
Losses and loss adjustment expense incurred, net of reinsurance	8,969,070	11,342,983	5,305,276
Service agent fee	4,096,156	4,335,717	4,353,660
Administrative expenses	248,379	289,233	324,234
Total expenses	13,313,605	15,967,933	9,983,170
Excess of operating revenues over expenses	3,889,165	3,583,364	7,459,802
<b>Accumulated Members' Equity</b>			
Beginning of year	22,004,392	18,421,028	10,961,226
End of year	\$ 25,893,557	\$ 22,004,392	\$ 18,421,028

**Member Premiums Earned**

As of December 31, 2004, the Pool had 396 members with written premiums of \$25.3 million. Pool coverage includes General Liability, Police, Errors & Omissions, Property, Auto, Crime and Inland Marine. For the year ended December 31, 2004, the Pool had reported earned premium of \$25.2 million compared to \$24.3 million for 2003. The primary reason for the \$0.9 million increase is due to increased reinsurance costs charged back to the members for MCCA assessments and member exposure increases.

The Pool added 15 new members and lost 6 during the 2004 calendar year. The additional premium was minimal. New business quotes reflect a premium commensurate with experience and market pricing. Overall, Pool premium has remained stable over the past two years. Member premiums averaged \$64,000 for 2004; an 9% increase over the past two years. No significant growth in Pool membership is anticipated for the near future.

**Michigan Municipal League Liability and Property Pool  
Management's Discussion and Analysis (Unaudited)  
December 31, 2004 and 2003**

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***Reinsurance Premiums Expense***

The Pool retains the first \$500,000 of each casualty loss and \$100,000 on each property loss. Participating reinsurers in 2004 were Discover Reinsurance Company, Everest Reinsurance Company, Lloyds of London and National League of Cities Mutual Insurance Company. Each company has been a longtime reinsurance partner of the Pool. The increase in reinsurance expense is primarily due to increased member exposures and MCCA assessments. Regarding the MCCA assessments, the rates have increased from \$69.00 to \$127.04 per vehicle for years 2002-03 and 2004-05, respectively.

***Investment Income***

For the year ended December 31, 2004, the Pool earned \$2.5 million in investment income. Investment income includes interest income, dividend income, realized and unrealized gains and losses. The portfolio experienced minimal changes in interest and dividend income in 2004 compared to 2003. However, 2003 investment income decreased 14.6% from 2002.

The fixed income portfolio experienced a combination of rising interest rates and lower bond prices which equates to a decrease in the fair market value of the principal component. On the other hand, the market values of the real estate investment trust portion of the fixed income portfolio increased. The net result of these two components generated an unrealized loss for the 2004 year, compared to an unrealized gain recorded for the 2003 year.

The market value of the equities has increased over the past two years. During 2004, after starting out weak, the equity market rallied strongly in the last quarter of 2004 resulting in an increase in market value for 2004. The 2003 year also reflected favorable results when compared to the 2002 year.

***Losses and Loss Adjustment Expenses Incurred, Net of Reinsurance***

The Pool administers claims and pays for covered losses experienced by its members. All claims are processed and managed by a third party administrator. Attorneys, medical experts and other professionals are contracted on an as needed basis. Between the time a claim is reported and the time it is resolved, reserves are established for the estimated amount that will be paid at some future date to settle the loss. Reserves are also established for claims that have occurred, but are not yet known to the Pool and for reported claims that are expected to develop. This is known as IBNR (incurred but not reported) reserves where losses are recognized in the current year for claims that will not be reported until future periods. This process allows a matching of current year premium with estimated total losses that will be incurred as the result of the member's current year coverage.

Incurred losses and loss adjustment expenses represent payments and changes in reserves for the year. Loss and loss adjustment expenses were \$9.0 million, \$11.3 million and \$5.3 million respectively for the years 2004, 2003, and 2002. During 2002, the Pool recorded significant favorable development of its loss and loss adjustment expenses reserves, primarily relating to the resolution of several large sewer back up claims from older years.

## **Michigan Municipal League Liability and Property Pool Management's Discussion and Analysis (Unaudited) December 31, 2004 and 2003**

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Incurred claims are lower in 2004 compared to 2003 due to the continued impact of numerous favorable case law decisions affecting virtually all aspects of governmental immunity law over the past five to seven years. In particular, the courts have significantly restricted the ability of litigants to pursue claims involving police pursuits, jail suicides, sidewalk slip and falls and trespass nuisance claims against municipalities. As well, the legal standard with respect to claims against individual government employees has been severely restricted. Litigants must prove that the employee was both grossly negligent and the proximate cause of the injury or damages in order to successfully pursue a claim. Also, recent legislation and associated court decisions have limited the ability of plaintiffs to pursue sewer back up claims, which were previously a significant and growing source of exposure to the Pool. Finally, coverage restrictions initiated by the Pool have eliminated its exposure to catastrophic class action lawsuits arising out these claims. A modest increase in the frequency and severity of employment related claims has somewhat mitigated this overall favorable trend.

### ***Administrative Expenses and Service Agent Fees***

In providing coverage and other member services, the Pool incurs administrative expenses and contract service fees. All of these expenses are budgeted and monitored on a monthly basis for compliance with budgetary limits. The Pool's administrative expenses include actuarial, audit, and legal fees; board meetings and travel; information and technology services, etc. Service Agents Fees include claims administration, risk management services and accounting services.

Administrative expenses of \$0.25 million for 2004 decreased by 14.1% compared to 2003. Expenses of \$0.29 million for 2003 represented a decrease of 10.8% compared to expenses of \$0.32 million for 2002. The decrease in expenses during the 2004 year is primarily due to decreases in actuarial fees, legal fees, board meetings and information and technology. Service agent, marketing and risk control fees of \$4.1 million decreased by 5.5% compared to \$4.3 million in 2003. The service fees between 2003 and 2002 were relatively unchanged.

The Pool is sponsored and administered by the League as a service for League members and other public sector entities. The Pool has no employees and does not own any capital assets.

### ***Prudent Management and Governing Board Oversight***

The mission of the Pool is to be long term, stable and cost-effective. Investments are professionally and independently managed, with quarterly reports to the governing Board. Additionally, a professional investment firm provides quarterly reports to the governing Board, which independently reviews the investment manager's performance. The Pool is audited on a tri-annual basis by the Office of Financial and Insurance Services of the State of Michigan and files a Comprehensive Annual Financial Report.

### ***Investment Risk***

A significant portion of the Pool's annual net income is derived from its investments. As such, there is the risk that the Pool will not earn expected returns and that the investments may lose value. The investment goal of the Pool is to obtain a reasonable total rate of return through a combination of income and capital appreciation in a manner consistent with a relatively long-term perspective. This goal is pursued through the use of a diversified, prudently invested portfolio that also assures that sufficient assets are available to settle current and future claims and expenses. The Pool invests in fixed income, equity securities, and real estate investment trusts in an effort to achieve this objective.

### ***Risk of Inadequate Loss Reserves***

With quarterly reserve reviews by an independent actuary, and regular independent claim reviews we consider the risk of using significant amounts of surplus to strengthen loss reserves to be low.

**Michigan Municipal League Liability and Property Pool  
Management's Discussion and Analysis (Unaudited)  
December 31, 2004 and 2003**

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***Reinsurance Cost***

Reinsurance costs are subject to market fluctuations of which the Pool has little control over. The MCCA assessment, in particular, is one of these areas. However, given the Pool's loss experience, we expect our casualty reinsurance costs to remain relatively stable in the future.

***Future Projects***

We anticipate that our third party administrator will be changing the Pool's membership service system from a software-based system to a web-based system in late 2005. We do not anticipate that this transition will disrupt services or result in materially increased expenses.

For more information about the Michigan Municipal League Liability and Property Pool visit our web-site at [www.mml.org](http://www.mml.org).

**Michigan Municipal League Liability and Property Pool**  
**Balance Sheets**  
**December 31, 2004 and 2003**

	2004	2003
<b>Assets</b>		
Cash and cash equivalents	\$ 1,458,367	\$ 1,060,627
Investments, at market value		
Fixed maturities	57,002,108	53,806,716
Equity securities	6,248,305	5,906,441
Real estate investment trust	2,347,367	1,792,833
Accounts receivable	166,968	82,634
Premiums receivable	308,561	303,458
Claim deductibles receivable	498,008	792,033
Reinsurance receivables on paid claims	741,845	1,253,208
Accrued interest receivable	590,238	543,968
Deposit with reinsurer	-	62,660
Investment in NLC Mutual Insurance Company, at cost	1,414,953	1,414,953
Prepaid expenses and other assets	529,196	482,089
<b>Total assets</b>	<b>\$ 71,305,916</b>	<b>\$ 67,501,620</b>
<b>Liabilities and Accumulated Members' Equity</b>		
Net reserve for losses and loss adjustment expenses	\$ 11,938,646	\$ 12,659,689
Net reserve for incurred but not reported losses and loss adjustment expenses	23,606,347	24,183,695
Unearned member premiums, net	9,723,638	8,301,181
Accounts payable	143,728	352,663
<b>Total liabilities</b>	<b>45,412,359</b>	<b>45,497,228</b>
Accumulated members' equity	25,893,557	22,004,392
<b>Total liabilities and accumulated members' equity</b>	<b>\$ 71,305,916</b>	<b>\$ 67,501,620</b>

The accompanying notes are an integral part of these financial statements.



**Michigan Municipal League Liability and Property Pool**  
**Statements of Revenues, Expenses and**  
**Changes in Accumulated Members' Equity**  
**Years Ended December 31, 2004 and 2003**

	2004	2003
<b>Revenues</b>		
Member premiums earned	\$ 25,173,739	\$ 24,294,519
Less: Reinsurance premiums expense	(10,023,227)	(8,277,194)
Net member premiums earned	15,150,512	16,017,325
Investment income	2,532,362	2,534,613
Net increase (decrease) in the fair value of investments	(464,922)	961,640
Other (expenses) income	(15,182)	37,719
Total revenues	17,202,770	19,551,297
<b>Expenses</b>		
Losses and loss adjustment expenses, net of reinsurance	8,969,070	11,342,983
Service agents' fees	4,096,156	4,335,717
Administrative expenses	248,379	289,233
Total expenses	13,313,605	15,967,933
Excess of revenues over expenses	3,889,165	3,583,364
<b>Accumulated Members' Equity</b>		
Beginning of year	22,004,392	18,421,028
End of year	\$ 25,893,557	\$ 22,004,392

The accompanying notes are an integral part of these financial statements.

**Michigan Municipal League Liability and Property Pool**  
**Statements of Cash Flows**  
**Years Ended December 31, 2004 and 2003**

	2004	2003
<b>Cash flows from operating activities</b>		
Receipts from premiums	\$ 26,591,093	\$ 24,172,736
Receipts from other income	-	37,718
Receipts from reinsurers	665,914	1,817,619
Receipts from claim deductibles	2,067,359	1,174,840
Receipts from interest income	2,486,092	2,566,475
Rate stabilization receipts	62,660	23,229
Payments on claims	(12,706,709)	(14,269,311)
Payments to reinsures	(10,023,227)	(8,277,194)
Payments for expenses	(4,188,730)	(2,774,320)
Net cash provided by operating activities	<u>4,954,452</u>	<u>4,471,792</u>
<b>Cash flows from investing activities</b>		
Purchases of securities	(34,681,936)	(39,746,220)
Sales and maturities of securities	30,125,224	33,820,652
Net cash used in investing activities	<u>(4,556,712)</u>	<u>(5,925,568)</u>
Net increase (decrease) in cash and cash equivalents	397,740	(1,453,776)
<b>Cash and cash equivalents</b>		
Beginning of year	1,060,627	2,514,403
End of year	<u>\$ 1,458,367</u>	<u>\$ 1,060,627</u>
<b>Reconciliation of excess of revenues over expenses to net cash provided by operating activities</b>		
Excess of revenues over expenses	\$ 3,889,165	\$ 3,583,364
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities		
Net (increase) decrease in fair value of investments	464,922	(961,640)
Changes in assets and liabilities		
Accounts receivable	(84,334)	63,998
Premiums receivable	(5,103)	3,523
Claim deductibles receivable	294,025	242,438
Reinsurance receivables on paid claims	511,363	1,831,472
Accrued interest receivable	(46,270)	31,862
Deposit with reinsurer	62,660	23,229
Prepaid expenses and other assets	(47,107)	(28,723)
Net reserve for losses and loss adjustment expenses	(721,043)	(569,890)
Net reserve for incurred but not reported losses and loss adjustment expenses	(577,348)	393,584
Unearned member premiums, net	1,422,457	19,261
Amounts due to reinsurers	-	(144,568)
Accounts payable	(208,935)	(16,118)
Net cash provided by operating activities	<u>\$ 4,954,452</u>	<u>\$ 4,471,792</u>

The accompanying notes are an integral part of these financial statements.

**Michigan Municipal League Liability and Property Pool**  
**Notes to Financial Statements**  
**December 31, 2004 and 2003**

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**1. Nature of the Pool**

The Michigan Municipal League Liability and Property Pool (the "Pool") was established in 1982 under Public Act 138 of 1982, as amended by Public Act 36 of 1988, to develop and administer a group program of liability and property self insurance for Michigan municipalities. The objectives of the Pool are to establish and administer a municipal risk management service, to reduce the incidence of property and casualty losses occurring in the operation of local governmental functions, and to defend members of the Pool against stated liability or loss.

Any city or village which is a member of the Michigan Municipal League (the "League") or any municipality of any city or village or any governmental entity which holds service associate status with the League is eligible to participate in the Pool. There are 396 members in the Pool at December 31, 2004.

Member premiums are combined to provide each member with coverage for liability and property claims. Any funds not needed to pay claims and maintain prudent reserves will be available for distribution to the members or credit toward future member premiums, as determined by the Board of Directors. Alternatively, the Board of Directors may increase liability limits or offer additional services to the members.

**2. Summary of Significant Accounting Policies**

During fiscal year 2003, the Pool adopted Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments. The primary impact for the Pool of this adoption was the requirement of Management's Discussion and Analysis.

**Basis of Accounting**

The Pool's accounting records are maintained on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America ("GAAP"). GAAP for public entity risk pools, such as the Pool, is dictated in part by GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* ("GASB 10").

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Cash Equivalents**

Cash equivalents consist of highly liquid investments which can be readily converted to cash and generally have a maturity of three months or less at date of purchase. Cash equivalents are stated at market value.

**Michigan Municipal League Liability and Property Pool**  
**Notes to Financial Statements**  
**December 31, 2004 and 2003**

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GASB Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, ("GASB 3") requires the Pool to categorize cash and cash equivalents held by the Pool to give an indication of the level of risk assumed by the Pool at year end. Category 1 includes cash and cash equivalents that are insured or collateralized with securities held by the Pool or by its agent in the Pool's name. Category 2 includes cash and cash equivalents that are collateralized with securities held by the pledging financial institution's trust department or agent. Category 3 includes cash and cash equivalents that are uncollateralized.

Cash and cash equivalents represent bank account balances of \$1,458,367 and \$1,060,627 as of December 31, 2004 and 2003, respectively. The bank account balance is Category 1 to the extent it is insured up to \$100,000 by the Federal Deposit Insurance Corporation (the "FDIC"). The remainder of the bank account balance is Category 3.

**Investments**

Investments are stated at fair market value. In accordance with GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* ("GASB 31"), changes in market value are reported in the Statements of Revenues, Expenses and Changes in Accumulated Members' Equity.

**Investment in NLC Mutual Insurance Company**

NLC Mutual Insurance Company ("NLC Mutual") is a captive insurance company formed by risk pools associated with certain state municipal leagues, including the Pool. The Pool invested in NLC Mutual in 1987 as a prerequisite for membership. The Pool accounts for its investment in NLC Mutual on the cost basis as the Pool does not have the ability to exercise significant influence over NLC Mutual's operating and financial policies, and their investment is less than 20% of NLC Mutual. Under the cost method, the Pool will recognize income upon receipt of distributions from NLC Mutual. The amount of NLC Mutual's equity owned by the Pool, based upon the Pool's ownership percentage, was approximately \$2,100,000 and \$2,200,000 at December 31, 2004 and 2003, respectively.

**Receivables**

Premiums receivable represent billed member premiums that are unpaid at year end. Claim deductibles receivable represents amounts due from members for their deductible portion of paid claims. Reinsurance receivables on paid claims represent amounts receivable under reinsurance agreements for paid claims. Accounts receivable primarily represents contingent commissions and return premiums due under reinsurance agreements. Receivables are carried at net realizable value and have been reduced for amounts that are not considered collectible.

**Prepaid Expenses and Other Assets**

Prepaid expenses and other assets are primarily comprised of a prepaid assessment to an unrelated entity and rent which was prepaid to the League for ten years.

**Net Reserve for Losses and Loss Adjustment Expenses**

The Pool establishes reserves based on estimates of (i) the ultimate cost of unsettled reported claims, including allocated and unallocated loss adjustment expenses ("LAE"), (ii) claims and LAE that have been incurred but not reported ("IBNR"), and (iii) future loss development.

**Michigan Municipal League Liability and Property Pool**  
**Notes to Financial Statements**  
**December 31, 2004 and 2003**

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Reserves are evaluated periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation is implicit in the calculation of estimated future claims costs because reliance is placed both on actual historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the reserves.

Because actual claims will depend on such complex factors such as inflation, changes in doctrines of legal liability and damage awards, the computation of reserves is a process of estimation and forecasting. Although considerable variability is inherent in such estimates, management believes that the reserves for losses are adequate. Adjustments to reserves are charged or credited to expense in the periods in which they are made.

As claims are paid over a period of time, the Pool discounts its loss reserves to present value (as allowed by the State of Michigan Office of Financial and Insurance Services). In 2004 and 2003, the Pool utilized a discount rate of 5%.

**Recognition of Member Premiums**

Member premiums are recognized on a pro-rata basis over the term of the policy, which is generally one year. Unearned member premiums represent premiums received in the current year for policies remaining effective into the next fiscal year. Premiums are paid to the Pool at rates established in accordance with rating guidelines authorized by the Board of Directors pursuant to the recommendation of the Pool's actuarial firm.

**Reinsurance**

The Pool uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of claims from reinsurers, although it does not discharge the primary liability of the Pool as direct insurer of the risks reinsured. The portion of claims covered by reinsurance is not reported as a liability, nor is the related recoverable from the reinsurer recorded as an asset. Accordingly, reserves have been reduced by approximately \$3,500,000 and \$2,600,000 at December 31, 2004 and 2003, respectively, for amounts recoverable from reinsurers.

The Pool has obtained specific excess reinsurance and aggregate excess reinsurance for liability and property coverages, a portion of which is contracted with NLC Mutual. For liability coverage, the Pool has retained the initial \$500,000 of risk per occurrence. For property coverage, the Pool has retained the initial \$100,000 of risk per occurrence and has obtained aggregate reinsurance for annual losses in excess of approximately \$2,600,000.

Prepaid reinsurance premiums are netted against the related unearned member premiums. Prepaid premiums were approximately \$2,600,000 and \$3,500,000 at December 31, 2004 and 2003, respectively.

**Michigan Municipal League Liability and Property Pool**  
**Notes to Financial Statements**  
**December 31, 2004 and 2003**

**Dividends to Members**

Dividends paid to members are reported in the accompanying financial statements as a component of excess of revenues over expenses in the Statements of Revenues, Expenses and Changes in Accumulated Members' Equity. This reporting treatment is in accordance with GASB 10, which states that dividends should be accrued as dividends expense using an estimate of the amount to be paid.

**Income Tax Status**

The Pool has received an Internal Revenue Service letter stating that it is tax-exempt under Internal Revenue Code Section 115.

**3. Investments**

Investments at December 31 consist of the following:

	<u>2004</u>		<u>2003</u>	
	<u>Original Cost</u>	<u>Estimated Market Value</u>	<u>Original Cost</u>	<u>Estimated Market Value</u>
<b>Fixed maturities</b>				
Government bonds	\$ 25,717,791	\$ 25,598,315	\$ 21,116,573	\$ 21,280,457
Corporate bonds	25,085,073	24,981,638	25,874,027	26,320,028
Mortgage-backed securities	6,437,773	6,422,155	6,006,594	6,206,231
	<u>57,240,637</u>	<u>57,002,108</u>	<u>52,997,194</u>	<u>53,806,716</u>
Equity securities	5,578,836	6,248,305	5,259,149	5,906,441
Real estate investment trust	1,438,510	2,347,367	1,372,117	1,792,833
<b>Total</b>	<u>\$ 64,257,983</u>	<u>\$ 65,597,780</u>	<u>\$ 59,628,460</u>	<u>\$ 61,505,990</u>

Net realized gains were \$72,811 (\$561,659 of gross realized gains, net of \$488,848 of gross realized losses) in 2004. Net realized gains were \$65,389 (\$638,716 of gross realized gains, net of \$573,327 of gross realized losses) in 2003. Realized gains and losses are calculated based on original cost.

A summary of market value of bonds as of December 31, 2004 by maturity date follows:

	<u>Estimated Market Value</u>
Less than five years	\$ 40,351,406
Five years through ten years	8,074,597
Greater than ten years	2,153,950
Mortgage-backed securities	6,422,155
<b>Total bonds</b>	<u>\$ 57,002,108</u>

**Michigan Municipal League Liability and Property Pool**  
**Notes to Financial Statements**  
**December 31, 2004 and 2003**

Mortgage-backed securities will mature according to the repayment characteristics of the underlying mortgage loans which collateralize the securities. The latest contractual payment is 2033. Expected maturities will differ from contractual maturities because borrowers have the right to call or prepay obligations generally without call or prepayment penalties.

**4. Net Reserves for Losses and Loss Adjustment Expenses**

As discussed in Note 2, the Pool establishes reserves for both reported and unreported insured events; reserves include estimates for future payments of losses and related LAE. A summary of changes in net losses and LAE for the Pool for the years ended December 31, 2004 and 2003 follows. Amounts are net of the effects of reinsurance:

	2004	2003
<b>Net losses and LAE (undiscounted) at the beginning of year</b>	<u>\$ 40,014,807</u>	<u>\$ 41,221,414</u>
<b>Incurred losses and LAE, net of reinsurance</b>		
Provision for insured events of the current year	16,057,885	16,251,824
Provision for insured events of prior years	(7,088,815)	(5,939,142)
Total incurred losses and LAE, net of reinsurance	<u>8,969,070</u>	<u>10,312,682</u>
<b>Payments, net of reinsurance</b>		
Related to insured events of the current year	(2,498,067)	(2,166,532)
Related to insured events of prior years	(8,016,923)	(9,352,757)
Total payments, net of reinsurance	<u>(10,514,990)</u>	<u>(11,519,289)</u>
Net losses and LAE (undiscounted) at the end of year	38,468,887	40,014,807
<b>Discount of net losses and LAE</b>	<u>(2,923,894)</u>	<u>(3,171,423)</u>
<b>Net discounted losses and LAE at the end of year</b>	<u>\$ 35,544,993</u>	<u>\$ 36,843,384</u>

During 2004 and 2003, there was favorable development in incurred loss and loss adjustment expenses related to prior accident years. This favorable development primarily relates to the favorable resolution of certain litigated claims.

**5. Accumulated Members' Equity**

At the discretion of the Board of Directors, Accumulated Members' Equity may be returned to members in the form of dividends. No dividends were distributed to members during 2004 or 2003.

**6. Commitments**

The League provides certain administrative services to the Pool including administration, risk management, data processing, staff travel, printing and supplies. Under the agreement, which automatically renews for a one year term on June 30 each year, the Pool will pay the League a fee equal to a specified percentage of earned premiums. Both parties have the option to pursue changes and or cancellation of the agreement on June 30 of each year. Minimum and maximum fees to be paid to the League for a July - June fiscal year are \$800,000 and \$850,000, respectively. Service agent fees expensed by the Pool approximated \$800,000 for 2004 and 2003, respectively.

**Michigan Municipal League Liability and Property Pool**  
**Notes to Financial Statements**  
**December 31, 2004 and 2003**

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In July 1996, the Pool entered into a new lease agreement with the League subject to which the Pool prepaid \$450,000 of rent (\$383,020 present value at 3.0% discount rate) representing rent payments required through June 30, 2006. This prepayment was capitalized and will be amortized on a straight-line basis through June 30, 2006.



**Additional Information**

**Report of Independent Auditors on Additional Information**

To the Board of Directors and Members of the  
Michigan Municipal League Liability and Property Pool

The report on our audit of the basic financial statements of the Michigan Municipal League Liability and Property Pool as of December 31, 2004 and for the year then ended appears on page 1 of this document. That audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information listed on pages 19-20 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*PricewaterhouseCoopers LLP*

May 3, 2005

**Michigan Municipal League Liability and Property Pool**  
**Notes to Ten-Year Claims Development Information**  
**December 31, 2004**

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The table on the following page illustrates how the Pool's earned member premiums (net of reinsurance premium expenses) and investment income compare to related costs of losses (net of losses assumed by the reinsurers) and other expenses of the Pool for the ten years ended December 31, 2004.

The rows of the table are defined as follows:

- (1) This line shows the total of each fiscal year's member premiums earned and investment income, net of reinsurance premium expenses. Investment income (including net realized gains and losses) is recorded in the fiscal year in which the income is earned and is not allocated to the various policy years. Beginning in 1997 investment income reflects changes in fair value of investments in accordance with GASB 31.
- (2) This line shows each fiscal year's other operating costs, including overhead and LAE not allocable to individual claims. Such costs are recorded in the fiscal year in which the expenses are incurred and are not allocated to the various policy years.
- (3) This line shows the Pool's incurred losses and allocated LAE (both paid and unpaid) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (this is called a policy year), net of reinsurance recoverable.
- (4) This section shows the cumulative amounts paid as of the end of the successive fiscal years for each policy year, net of reinsurance received and receivable.
- (5) This section shows how each policy year's incurred losses and allocated LAE (net of reinsurance) increased or decreased as of the end of successive fiscal years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, emergence of new claims not previously known and provision for losses incurred but not yet reported. The Pool's reinsurance is carried on an April 1 to March 31 fiscal year. Certain allocations and adjustments have been made to present data on a calendar year basis.
- (6) This line compares the latest reestimated incurred loss and LAE amount to the amount originally established (line 3) and shows whether the most recent amount is greater or less than the original estimate. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred losses and LAE currently recognized in less mature policy years.

See Report of Independent Auditors on Additional Information.

**Michigan Municipal League Liability and Property Pool  
Ten-Year Claims Development Information  
December 31, 2004**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
(1) Net earned premiums and investment income	\$ 22,003	\$ 21,892	\$ 23,008	\$ 22,424	\$ 19,429	\$ 21,191	\$ 19,062	\$ 17,443	\$ 19,551	\$ 17,203
(2) Unallocated operating costs	4,632	5,055	5,136	5,009	4,476	5,416	4,634	4,358	4,625	4,345
(3) Estimated incurred losses and LAE, end of policy year	14,765	16,556	17,510	17,427	19,393	21,045	18,300	15,797	16,252	16,058
(4) Paid (cumulative) as of										
End of policy year	1,919	3,014	3,065	2,774	3,002	3,842	2,754	2,438	2,167	2,498
One year later	4,647	4,856	6,253	5,316	5,739	7,162	4,987	4,243	4,321	
Two years later	7,864	8,304	8,777	8,851	8,124	10,055	8,027	5,881		
Three years later	12,153	12,425	11,930	11,394	9,639	12,156	10,416			
Four years later	13,555	13,887	13,003	12,659	10,770	12,954				
Five years later	14,283	14,455	13,351	13,212	11,186					
Six years later	14,879	14,987	13,756	13,488						
Seven years later	15,180	15,198	13,721							
Eight years later	15,201	15,197								
Nine years later	15,207									
(5) Reestimated incurred losses and LAE										
End of policy year	14,765	16,556	17,510	17,427	19,393	21,045	18,300	15,767	16,252	16,058
One year later	15,795	16,064	16,344	17,918	18,752	21,479	16,426	14,151	14,057	
Two years later	14,016	15,193	15,266	16,859	15,747	17,542	15,182	11,977		
Three years later	15,469	16,459	15,289	15,529	12,861	15,612	14,149			
Four years later	15,606	16,203	14,803	14,906	12,382	15,133				
Five years later	15,658	15,596	14,526	14,324	12,365					
Six years later	15,635	15,519	14,124	13,823						
Seven years later	15,546	15,422	14,057							
Eight years later	15,236	15,247								
Nine years later	15,255									
(6) Increase (decrease) in estimated incurred loss and LAE from end of policy year	490	(1,309)	(3,453)	(3,604)	(7,028)	(5,912)	(4,151)	(3,790)	(2,195)	

See Report of Independent Auditors on Additional Information.

**MICHIGIAN MUNICIPAL LIABILITY & PROPERTY POOL  
INVESTMENT COMPOSITION  
AS OF DECEMBER 31, 2004**

<b>TYPE</b>	<b>COST</b>	<b>MARKET VALUE</b>	<b>AVERAGE YIELD</b>
Cash Equivalents	\$2,071,639	\$2,071,639	1.60%
U. S. Treasury Bonds/Notes	\$13,375,024	\$13,319,257	3.00%
U.S. Agency Bonds	\$18,780,540	\$18,701,213	3.40%
Corporate Bonds	\$25,085,073	\$24,981,638	3.55%
Equities	\$7,017,346	\$8,595,672	5.40%
Total Portfolio	\$66,329,622	\$67,669,419	4.35%

**MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL  
INVESTMENT SCHEDULE  
AS OF DECEMBER 31, 2004**

DESCRIPTION	INTEREST RATE	FACE VALUE	ACTUAL COST	MARKET VALUE
<b>SHORT TERM INVESTMENT</b>				
VICTORY US GOVT OBLIGATIONS FUND		\$2,071,639.16	\$2,071,639.16	\$2,071,639.16
<b>TREASURY INFLATION INDEX BOND</b>				
TREASURY INFLATION INDEX BOND	3.625%	\$703,452.00	\$761,930.86	\$772,107.92
TREASURY INFLATION INDEX BOND	3.875%	577,470.00	587,831.80	652,290.35
		\$1,280,922.00	\$1,349,762.66	\$1,424,398.27
<b>TREASURIES</b>				
TREASURY NOTE	5.000%	\$100,000.00	\$107,687.50	\$106,421.87
TREASURY NOTE	6.000%	1,100,000.00	1,245,347.65	1,213,437.39
TREASURY NOTE	3.000%	1,800,000.00	1,819,929.69	1,784,531.16
TREASURY NOTE	2.000%	550,000.00	547,636.72	543,468.75
TREASURY NOTE	2.625%	1,100,000.00	1,078,460.94	1,075,250.00
TREASURY NOTE	2.375%	500,000.00	503,710.94	495,156.25
TREASURY NOTE	2.000%	750,000.00	749,912.11	747,070.28
TREASURY NOTE	3.125%	700,000.00	694,285.15	692,343.68
TREASURY NOTE	1.625%	750,000.00	746,191.41	743,671.88
TREASURY NOTE	1.875%	1,000,000.00	996,640.63	990,312.50
TREASURY NOTE	2.625%	250,000.00	242,333.99	241,601.55
TREASURY NOTE	1.500%	1,000,000.00	988,085.94	983,281.20
TREASURY NOTE	2.750%	500,000.00	499,414.06	494,374.95
TREASURY NOTE	3.375%	700,000.00	701,558.59	693,109.34
TREASURY NOTE	2.500%	500,000.00	499,238.28	495,234.35
TREASURY NOTE	2.625%	600,000.00	604,828.12	595,593.72
		\$11,900,000.00	\$12,025,261.72	\$11,894,858.87
<b>U.S. AGENCIES</b>				
FEDERAL HOME LOAN BANK	5.980%	\$500,000.00	\$517,548.00	\$538,036.50
FEDERAL HOME LOAN BANK	6.500%	1,000,000.00	1,035,700.00	1,030,372.60
FEDERAL HOME LOAN BANK	1.850%	500,000.00	500,000.00	497,784.70
FEDERAL HOME LOAN BANK	2.000%	1,000,000.00	1,002,427.00	988,243.40
FEDERAL HOME LOAN BANK	2.375%	250,000.00	250,054.75	246,797.48
FEDERAL HOME LOAN BANK	2.000%	500,000.00	500,000.00	496,054.45
FEDERAL HOME LOAN BANK	3.375%	500,000.00	502,385.00	498,778.40
FEDERAL HOME LOAN MORTGAGE	5.750%	500,000.00	532,451.00	532,990.15
FEDERAL HOME LOAN MORTGAGE	2.300%	515,000.00	517,506.51	511,791.40
FEDERAL HOME LOAN MORTGAGE	2.125%	200,000.00	201,025.00	197,553.04
FEDERAL HOME LOAN MORTGAGE	3.250%	650,000.00	638,307.15	636,612.02
FEDERAL HOME LOAN MORTGAGE	4.625%	640,000.00	653,125.76	645,151.23
FEDERAL NATIONAL MORTGAGE ACCOC.	6.000%	850,000.00	940,243.35	933,930.87
FEDERAL NATIONAL MORTGAGE ACCOC.	5.500%	1,670,000.00	1,720,300.86	1,713,906.47
FEDERAL NATIONAL MORTGAGE ACCOC.	2.875%	600,000.00	606,843.60	600,189.90
FEDERAL NATIONAL MORTGAGE ACCOC.	5.250%	650,000.00	691,197.65	685,315.54
FEDERAL NATIONAL MORTGAGE ACCOC.	5.500%	675,000.00	716,732.63	723,009.71
FEDERAL NATIONAL MORTGAGE ACCOC.	5.000%	500,000.00	519,678.50	516,247.00
FEDERAL HOME LOAN MORTGAGE	5.250%	280,000.00	297,239.60	286,293.00
		\$11,980,000.00	\$12,342,766.36	\$12,279,057.86
<b>MORTGAGE PASS THROUGHS</b>				
FHLMC Gold Pool #C44330				
FNMA POOL	6.500%	\$52,838.68	\$44,960.13	\$55,364.61
FNMA POOL #303902	4.443%	70,198.71	63,363.06	68,277.76
FNMA POOL #737646	7.000%	136,905.36	137,153.45	130,301.77
GNMA POOL #603681	3.144%	354,871.80	325,787.75	320,836.92
GNMA POOL #781008	5.500%	107,296.99	101,505.53	98,630.97
FHLMC COFI ARM POOL	6.000%	282,121.09	242,675.29	273,326.79
	5.340%	44,067.78	42,913.96	43,304.52
		\$1,004,232.63	\$958,359.17	\$990,043.34

**MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL  
INVESTMENT SCHEDULE  
AS OF DECEMBER 31, 2004**

DESCRIPTION	INTEREST RATE	FACE VALUE	ACTUAL COST	MARKET VALUE
<b>COLLATERALIZED MORTGAGE OBLIGATIONS</b>				
CHASE MTG FIN CORP 03-S5	5.500%	\$748,494.21	\$737,730.31	\$722,217.67
FHLMC 2687-PM	4.500%	627,000.00	630,624.84	624,674.02
FHLMC 2865-PJ	4.000%	1,000,000.00	993,182.31	984,573.22
FN.A 1990-35E	9.500%	7,156.48	9,365.83	7,223.67
FNMA 1993-107 E	6.500%	406,288.55	361,256.70	387,466.12
WACHOVIA ASSET SECURITIZATION	1.750%	351,886.27	329,314.05	328,407.41
BANC OF AMER COM MTG 00-1	7.100%	329,789.85	315,499.89	285,643.32
BANK OF AMER MTG SEC	4.021%	500,000.00	504,687.50	499,353.95
COMMERCIAL MTG PASS THRU	3.600%	250,000.00	251,240.74	245,550.75
DLJ MTG ACCEP CORP	6.930%	277,897.01	282,493.24	284,390.32
FHLMC 2780 LC	5.000%	500,000.00	508,593.75	515,846.45
MERRILL LYNCH MTG 1998-C3	5.880%	520,000.00	555,425.00	546,764.40
		\$5,518,512.37	\$5,479,414.16	\$5,432,111.30
<b>CORPORATE BONDS</b>				
AMERICAN STANDARD INC	7.375%	\$390,000.00	\$429,280.80	\$427,050.00
ABBEY NATIONAL PLC	6.700%	900,000.00	805,194.00	974,457.00
BRITISH TELECOMM PLC	8.375%	500,000.00	611,685.00	598,198.65
CITICORP	6.375%	500,000.00	552,225.00	544,596.45
CONOCO INC	6.350%	500,000.00	551,385.00	546,472.75
COUNTRYWIDE HOME LOANS	3.500%	300,000.00	310,065.00	300,865.08
DIAGEO CAPITAL PLC NOTE	3.500%	500,000.00	496,305.00	498,911.95
EOP OPERATING LP	7.000%	200,000.00	238,470.00	225,453.24
FIRST UNION CORP	7.500%	1,000,000.00	1,034,230.00	1,062,284.50
FORD MOTOR CREDIT CO	5.800%	210,000.00	210,195.30	214,252.42
GENERAL ELECTRIC CAPITAL	5.375%	1,000,000.00	1,054,040.00	1,039,449.90
GOLDMAN SACHS GROUP INC	6.875%	570,000.00	653,875.50	645,517.42
HOME DEPOT	5.375%	750,000.00	798,457.50	770,584.13
INTERNATIONAL LEASE FIN CORP	3.300%	400,000.00	399,180.00	393,222.44
KAISER FNDTN HOSPS/HEALTH PLAN	9.550%	500,000.00	570,000.00	517,307.05
MANUFACTURERS & TRADERS TR CO	3.850%	500,000.00	499,460.00	495,185.75
NEWELL RUBBERMADE INC	2.000%	500,000.00	499,740.00	498,386.25
NIKE INC	5.500%	185,000.00	191,487.95	191,076.10
PEMEX FINANCIAL LTD	9.690%	500,000.00	567,500.00	532,000.00
PROTECTIVE LIFE SECURED TRUST	3.700%	500,000.00	499,050.00	494,910.70
RIO TINTO FIN USA LTD	5.750%	500,000.00	526,360.00	516,495.25
SLM CORP	2.625%	250,000.00	239,610.00	239,476.33
SOVEREIGN BANK	3.625%	760,000.00	757,712.40	754,881.70
TOYOTA MOTOR CREDIT NOTE	4.375%	500,000.00	506,280.00	505,004.00
US BANK NA	5.500%	500,000.00	537,465.00	532,465.65
US BANK NA	2.850%	350,000.00	349,968.50	347,074.32
UNION TEXAS PETE BP AMOCO PLC	2.870%	400,000.00	398,256.00	394,483.44
BROWN FORMAN CORP	7.000%	750,000.00	838,987.50	817,007.85
USX CORP MARATHON OIL CORP	2.125%	400,000.00	402,984.00	395,335.52
NATIONAL CITY BANK	6.850%	500,000.00	545,725.00	543,492.30
WELLS FARGO & CO	4.000%	500,000.00	499,320.00	508,320.25
	3.125%	650,000.00	648,979.50	630,606.15
		\$16,465,000.00	\$17,223,473.95	\$17,154,824.54
<b>ASSET BACKED SECURITIES</b>				
AIG CREDIT PREMIUM FIN MASTER	1.610%	\$500,000.00	\$500,000.00	\$500,147.40
BANK ONE ISSUANCE TRUST	2.940%	495,000.00	500,373.63	494,896.00
CPL TRANSITION FUNDING LLC	5.010%	375,000.00	396,796.88	384,825.98
CAPITAL ONE MULTI-ASSET EXEC TR	3.870%	510,000.00	512,823.50	536,914.54
CENTEX HOME EQUITY LN TR	3.350%	665,000.00	664,893.13	660,008.51
CITIBANK CREDIT CARD ISSUANCE TRUST	6.900%	175,000.00	194,236.32	180,189.50
DISCOVER CARD MASTER TRUST	6.350%	1,100,000.00	1,129,863.27	1,135,362.36
DISTRIBITION FINL SERVICES	1.220%	590,000.00	590,184.38	590,203.49
JOHN DEERE OWNER TRUST	3.020%	155,000.00	153,377.34	152,566.50
MNBA CREDIT CARD MASTER NOTE	4.050%	250,000.00	255,781.25	251,540.50
NAVISTAR FINANCIAL CORP	4.950%	210,529.96	194,087.04	191,788.09
PUBLIC SERVICE NEW HAMPSHIRE FDG LLC	5.730%	802,454.70	805,701.15	791,889.24
USAA AUTO OWNER TRUST	2.410%	173,543.91	106,429.78	106,468.44
VOLKSWAGEN AUTO LOAN ENHANCED TR	2.940%	500,000.00	502,167.97	494,392.25
WFS FINANCIAL OWNER TRUST	3.020%	387,961.12	341,837.25	340,062.82
WFS FINANCIAL OWNER TRUST	3.130%	500,000.00	499,921.15	496,073.35
FHLMC STRUC PASS THRU	4.780%	500,000.00	513,125.00	519,484.95
		\$7,889,489.69	\$7,861,599.04	\$7,826,813.92
<b>TOTAL BONDS</b>		\$56,828,873.85	\$57,240,637.06	\$57,002,108.10

**MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL  
INVESTMENT SCHEDULE  
AS OF DECEMBER 31, 2004**

DESCRIPTION	INTEREST RATE	FACE VALUE	ACTUAL COST	MARKET VALUE
<b>COMMON STOCK</b>				
DESCRIPTION		SHARES	ACTUAL COST	MARKET VALUE
<b>MATERIALS</b>				
AIR PRODUCTS & CHEMICALS		1,700	\$78,773.93	\$98,549.00
DU PONT E I DE NEMOURS & CO		1,090	43,638.24	53,464.50
ALCOA		2,500	93,894.08	78,550.00
PPG INDS INC		1,010	51,005.49	68,841.60
PRAXAIR		3,360	66,856.20	148,344.00
WEYERHAEUSER CO		1,170	53,877.65	78,647.40
			<b>\$388,045.59</b>	<b>\$526,396.50</b>
<b>INDUSTRIALS</b>				
DEERE & COMPANY		1,060	38,592.19	78,864.00
EATON CORP		2,430	131,094.99	175,834.80
EMERSON ELEC CO		1,420	72,926.67	99,542.00
GENERAL ELECTRIC		5,000	51,526.80	182,500.00
HONEYWELL INTERNATIONAL		2,920	81,802.05	103,397.20
INGERSOLL-RAND		1,710	72,905.85	137,313.00
ILLINOIS TOOL WKS INC		980	84,300.91	90,826.40
UNITED TECHNOLOGIES CORP		1,370	108,009.96	141,589.50
			<b>\$641,159.42</b>	<b>\$1,009,866.90</b>
<b>CONSUMER DISCRETIONARY</b>				
BED BATH & BEYOND		1,660	\$70,017.60	\$66,117.80
TIFFANY & CO		1,270	47,514.41	40,601.90
HOME DEPOT		2,230	59,640.82	95,310.20
TARGET		1,590	47,298.52	82,568.70
VIACOM INC		1,880	81,024.97	68,413.20
LOWES COS INC		2,450	140,119.93	141,095.50
INTERNATIONAL GAME TECH		2,170	74,475.46	74,604.60
			<b>\$520,091.71</b>	<b>\$568,711.90</b>
<b>CONSUMER STAPLES</b>				
PEPSICO		1,230	\$59,712.54	\$64,206.00
PROCTER & GAMBLE CO		1,270	52,505.23	69,951.60
WAL MART STORES INC		980	170,042.94	177,475.20
WALGREEN		3,850	124,305.96	147,724.50
			<b>\$406,566.67</b>	<b>\$459,357.30</b>
<b>ENERGY</b>				
ENSCO INTL		890	29,571.78	28,248.60
TRANSOCEAN INC		1,660	60,406.66	70,367.40
			<b>\$89,978.44</b>	<b>\$98,616.00</b>



**MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL  
INVESTMENT SCHEDULE  
AS OF DECEMBER 31, 2004**

DESCRIPTION	INTEREST RATE	FACE VALUE	ACTUAL COST	MARKET VALUE
<b>FINANCE</b>				
AMERICAN INT'L GROUP		2,310	\$159,057.77	\$162,861.60
BANK OF NEW YORK INC		2,720	88,954.52	90,902.40
CITIGROUP		3,446	166,256.28	166,028.28
FANNIE MAE		1,672	87,462.32	119,063.12
JP MORGAN		1,920	73,236.05	74,899.20
GOLDMAN SACHS		1,590	137,739.75	165,423.60
MBNA CORP		3,780	75,383.19	106,558.20
MERRILL LYNCH & CO		1,940	105,838.95	115,953.80
MORGAN STANLEY DEAN WITTER		2,740	192,047.76	152,124.80
PMI GROUP		1,760	56,097.80	73,480.00
RADIAN GROUP		1,897	58,502.53	100,996.28
			<b>\$1,200,576.92</b>	<b>\$1,328,291.28</b>
<b>HEALTH CARE</b>				
JOHNSON & JOHNSON		3,390	155,459.57	214,993.80
MEDTRONIC		1,250	69,323.75	62,087.50
PFIZER		7,020	275,427.62	188,767.80
WYETH		1,660	60,003.67	70,699.40
AMGEN INC		1,120	71,338.98	71,848.00
BOSTON SCIENTIFIC CORP		1,460	65,190.07	51,903.00
LILLY (ELI) & CO		1,560	99,901.03	88,530.00
FOREST LABS		1,990	86,831.72	89,271.40
			<b>\$883,476.41</b>	<b>\$838,100.90</b>
<b>TECHNOLOGY</b>				
ALTERA CORP		3,320	\$87,087.50	\$68,724.00
CISCO SYSTEMS		6,270	50,939.06	121,136.40
DELL COMPUTER		3,510	118,190.20	147,911.40
EMC CORP		8,110	203,513.25	120,595.70
INTEL		5,550	157,215.13	129,814.50
LINEAR TECH GROUP		2,230	94,928.60	86,434.80
MAXIM INTERGRATED PROD		1,060	15,097.80	44,933.40
MICROSOFT		5,970	201,762.41	159,518.40
APPLIED MATERIALS INC		4,180	91,370.16	71,478.00
QUALCOMM		1,920	36,561.09	81,408.00
FIRST DATA CORP		1,940	88,313.80	82,527.60
INTERNATIONAL BUSINESS MACHINES		870	86,747.59	85,764.60
SYMANTEC CORP		3,320	71,723.67	85,523.20
TEXAS INSTRUMENTS INC		5,410	145,490.75	133,194.20
			<b>\$1,448,941.01</b>	<b>\$1,418,964.20</b>
<b>TOTAL COMMON STOCKS</b>				
			<b>\$5,578,836.17</b>	<b>\$6,248,304.98</b>
<b>MUTUAL FUNDS</b>				
MUNDER REAL ESTATE EQUITY		104,746	\$1,438,509.64	\$2,347,366.56
<b>TOTAL EQUITIES</b>				
			<b>\$7,017,345.81</b>	<b>\$8,595,671.54</b>
<b>TOTAL CASH EQUIVALENTS, BONDS &amp; EQUITIES</b>				
			<b>\$66,329,622</b>	<b>\$67,669,419</b>

**MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL  
REINSURANCE RECEIVABLES  
FOR PERIOD ENDING DECEMBER 31, 2004**

<b>YEAR</b>	<b>SPECIFIC</b>	<b>AGGREGATE</b>	<b>TOTAL</b>	<b>RECEIVED TO DATE</b>	<b>TOTAL RECEIVABLE</b>
1983	12,584	420,134	432,718	432,718	0
1984	1,349,960	370,704	1,720,664	1,720,664	0
1985	139,685	0	139,685	139,685	0
1986	199,015	0	199,015	199,015	0
1987	451,609	30,000	481,609	481,609	0
1988	1,220,942	0	1,220,942	1,220,942	0
1989	164,552	0	164,552	164,552	0
1990	3,358,360	0	3,358,360	3,358,360	0
1991	2,610,358	0	2,610,358	2,610,358	0
1992	214,389	0	214,389	214,389	0
1993	1,070,322	0	1,070,322	1,070,322	0
1994	6,841,123	116,268	6,957,391	6,878,350	79,041
1995	2,025,732	0	2,138,272	2,025,732	112,540
1996	12,139,606	500,084	12,666,499	12,639,690	26,810
1997	1,168,975	142,691	1,311,666	1,311,666	0
1998	10,186,445	0	10,186,445	10,179,109	7,336
1999	501,263	0	501,263	448,987	52,276
2000	4,530,176	0	4,530,176	4,527,350	2,826
2001	278,212	0	278,212	278,212	0
2002	1,578,677	0	1,578,677	1,568,705	9,972
2003	88,591	0	88,591	88,438	153
2004	450,898	0	450,898	0	450,898
<b>TOTALS</b>	<b>50,581,474</b>	<b>1,579,880</b>	<b>52,300,703</b>	<b>51,558,851</b>	<b>741,851</b>

**MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL  
REINSURANCE EXHIBIT  
AS OF DECEMBER 31, 2004**

**CEDED REINSURANCE FOR 2004**

Column 1 Reinsurer's Federal Employer I.D. Number	Column 2 Name of Reinsurer	Column 3 Location	Column 4 Reinsurance Recoverable on Paid Losses	Column 5 Reinsurance Recoverable on Unpaid Losses	Column 6 Unearned Premiums (Estimated)
#22-2005057	Everest Reinsurance Company	Newark, New Jersey	2,061	582,335	4,327,163
-----	CNA International Reinsurance Company, Ltd.	London, England	113,465	965,462	1,730,685
#52-1479893	NLC Mutual Insurance Company	Washington, D.C.	782	281,273	3,461,731
#13-4924125	American Reinsurance Company	Princeton, New Jersey	10,125	32,280	0
#06-1273933	Discover Reinsurance Company	Farmington, Connecticut	560,311	1,532,147	7,788,894
#38-2227794	Michigan Catastrophic Claims Assoc.	Livonia, Michigan	55,102	109,570	0
<b>Total Reinsurance Recoverable on Paid Losses</b>			<b>741,845</b>		

**AGING OF REINSURANCE RECOVERABLE ON PAID LOSSES**

Column 1 Name of Reinsurer	Column 2 Location	Column 3 0-90 Days	Days Overdue Column 4 91-180 Days	Column 5 181+ Days
American Reinsurance Company	Princeton, New Jersey	10,125		
Discover Reinsurance Company	Farmington, Connecticut	560,311		
Everest Reinsurance Company	Newark, New Jersey	2,061		
CNA International Reinsurance Company, Ltd.	London, England	113,465		
NLC Mutual Insurance Company	Washington, D.C.	782		
Michigan Catastrophic Claims Assoc.	Livonia, Michigan	55,102		

**PROPERTY & LIABILITY  
CLAIMS RESERVE SUMMARY  
(net of reinsurance)  
(000's)**

<i>UNALLOCATED LOSS EXPENSE</i>	<u>\$812</u>
<i>TOTAL DISCOUNTED CLAIM RESERVES</i>	<b>\$35,545</b>

**MICHIGAN MUNICIPAL LEAGUE LIABILITY & PROPERTY POOL  
CLAIMS RESERVE ANALYSIS SCHEDULE  
AS OF DECEMBER 31, 2004**

**ALL LIABILITY LINES COMBINED  
(net of reinsurance)  
(000's)**

<b>ACCIDENT YEAR</b>	<b>CLAIM PAYMENTS</b>	<b>REPORTED RESERVES</b>	<b>IBNR RESERVES</b>	<b>TOTAL CLAIM RESERVES</b>	<b>TOTAL INCURRED RESERVES</b>
1983	\$395	\$0	\$0	\$0	\$395
1984	1,708	0	0	0	1,708
1985	4,481	0	0	0	4,481
1986	6,733	0	19	19	6,752
1987	9,329	0	0	0	9,329
1988	7,000	0	0	0	7,000
1989	10,187	0	0	0	10,187
1990	9,285	0	7	7	9,292
1991	6,434	0	0	0	6,434
1992	7,886	0	15	15	7,901
1993	10,356	55	19	74	10,430
1994	16,114	290	0	290	16,404
1995	14,234	43	4	47	14,281
1996	13,686	23	27	50	13,736
1997	12,382	202	135	337	12,719
1998	12,420	100	235	335	12,755
1999	9,902	722	458	1,180	11,082
2000	11,311	1,261	919	2,180	13,491
2001	9,063	2,021	1,711	3,732	12,795
2002	4,250	2,563	3,523	6,086	10,336
2003	3,233	2,865	6,854	9,719	12,952
2004	1,014	2,357	10,621	12,978	13,992
<b>TOTALS</b>	<b>\$181,403</b>	<b>\$12,502</b>	<b>\$24,547</b>	<b>\$37,049</b>	<b>\$218,452</b>

**MICHIGAN MUNICIPAL LEAGUE LIABILITY & PROPERTY POOL  
CLAIMS RESERVE ANALYSIS SCHEDULE  
AS OF DECEMBER 31, 2004**

**PROPERTY  
(net of reinsurance)  
(000's)**

<b>ACCIDENT YEAR</b>	<b>CLAIM PAYMENTS</b>	<b>REPORTED RESERVES</b>	<b>IBNR RESERVES</b>	<b>TOTAL CLAIM RESERVES</b>	<b>TOTAL INCURRED RESERVES</b>
1983	\$18	\$0	\$0	\$0	\$18
1984	190	0	0	0	190
1985	165	0	0	0	165
1986	189	0	0	0	189
1987	409	0	0	0	409
1988	152	0	0	0	152
1989	496	0	0	0	496
1990	543	0	0	0	543
1991	726	0	0	0	726
1992	656	0	0	0	656
1993	791	0	0	0	791
1994	1,125	0	0	0	1,125
1995	973	0	0	0	973
1996	1,511	0	0	0	1,511
1997	1,339	0	0	0	1,339
1998	1,068	0	0	0	1,068
1999	1,283	0	0	0	1,283
2000	1,642	0	0	0	1,642
2001	1,353	0	0	0	1,353
2002	1,630	10	0	10	1,640
2003	1,088	16	0	16	1,104
2004	1,478	314	268	582	2,060
<b>TOTALS</b>	<b>\$18,825</b>	<b>\$340</b>	<b>\$268</b>	<b>\$608</b>	<b>\$19,433</b>

**Michigan Municipal League Liability and Property Pool**  
**Ten Year Claim Development Information (000's)**  
**As of December 31, 2004**

**Total All Lines Combined**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
(3) Estimated incurred losses and LAE, end of year	14,765	16,556	17,510	17,427	19,393	21,045	18,300	15,767	16,252	16,058
(4) Paid (cumulative) as of:										
End of year	1,919	3,014	3,065	2,774	3,002	3,842	2,754	2,438	2,167	2,498
One year later	4,647	4,856	6,253	5,316	5,975	7,162	4,987	4,243	4,358	
Two years later	7,864	8,304	8,777	8,851	8,124	10,055	8,027	5,900		
Three years later	12,153	12,425	11,930	11,394	9,639	12,156	10,522			
Four years later	13,555	13,887	13,003	12,659	10,770	12,836				
Five years later	14,283	14,455	13,351	13,212	11,067					
Six years later	14,879	14,987	13,756	13,430						
Seven years later	15,180	15,198	13,577							
Eight years later	15,201	15,197								
Nine years later	15,207									
(5) Reestimated incurred losses and ALAE as of:										
End of year	14,765	16,556	17,510	17,427	19,393	21,045	18,300	15,767	16,252	16,058
One year later	15,795	16,064	16,344	17,918	18,752	21,479	16,426	14,151	14,057	
Two years later	14,016	15,193	15,266	16,859	15,747	17,542	15,182	11,977		
Three years later	15,469	16,459	15,289	15,529	12,861	16,512	14,149			
Four years later	15,606	16,203	14,803	14,906	12,382	15,133				
Five years later	15,658	15,596	14,526	14,324	12,365					
Six years later	15,635	15,519	14,124	13,823						
Seven years later	15,546	15,422	14,057							
Eight years later	15,236	15,247								
Nine years later	15,255									
(6) Increase (decrease) in estimated incurred losses and ALAE from end of year	471	(1,134)	(3,386)	(3,103)	(7,011)	(4,533)	(3,118)	(1,616)	(2,195)	----

**Michigan Municipal League Liability and Property Pool**  
**Ten Year Claim Development Information (000's)**  
**As of December 31, 2004**

**Deductible Offsets**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
(3) Estimated deductibles, end of year	1,732	2,830	1,799	1,261	1,331	927	(401)	676	803	(92)
(4) Paid (cumulative) as of:										
End of year	282	498	225	143	132	78	2	73	88	494
One year later	994	1,460	789	784	479	378	227	361	420	
Two years later	1,474	2,069	1,010	874	1,070	662	520	679		
Three years later	1,724	2,370	1,054	1,197	1,341	832	844			
Four years later	1,874	2,590	1,140	1,260	1,570	1,051				
Five years later	1,805	1,931	1,198	1,166	1,534					
Six years later	1,909	2,382	1,170	1,257						
Seven years later	1,946	2,352	1,206							
Eight years later	1,966	2,391								
Nine years later	1,962									
(5) Reestimated incurred deductibles as of:										
End of year	1,732	2,830	1,799	1,261	1,331	927	(401)	676	803	(92)
One year later	2,309	2,632	1,448	1,685	1,339	(516)	792	848	361	
Two years later	1,981	2,744	1,328	1,211	1,425	924	788	113		
Three years later	1,957	2,689	1,328	1,296	1,468	915	801			
Four years later	1,910	1,522	1,169	1,294	1,663	756				
Five years later	2,168	1,944	1,198	1,188	1,644					
Six years later	1,949	2,382	1,170	1,357						
Seven years later	1,986	2,353	1,206							
Eight years later	1,966	2,391								
Nine years later	1,962									
(6) Increase (decrease) in estimated deductibles from end of year	254	(448)	(601)	33	137	(3)	1,193	172	(442)	---



**Michigan Municipal League Liability and Property Pool**  
**Ten Year Claim Development Information (000's)**  
**As of December 31, 2004**

	<i>Property</i>									
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
(3) Estimated incurred losses and LAE, end of year	849	1,525	1,650	1,411	1,349	2,176	1,121	1,865	1,456	1,332
(4) Paid (cumulative) as of:										
End of year	550	1,231	1,077	941	812	1,072	803	1,161	808	1,478
One year later	955	1,469	1,515	1,127	1,347	1,738	1,201	1,623	1,088	
Two years later	976	1,546	1,363	1,028	1,404	1,785	1,353	1,630		
Three years later	976	1,546	1,442	1,016	1,396	1,748	1,353			
Four years later	973	1,509	1,443	1,127	1,544	1,642				
Five years later	973	1,509	1,482	1,179	1,283					
Six years later	973	1,547	1,483	1,068						
Seven years later	973	1,547	1,339							
Eight years later	973	1,547								
Nine years later	973									
(5) Reestimated incurred losses and ALAE as of:										
End of year	849	1,525	1,650	1,411	1,349	2,176	1,121	1,865	1,456	1,332
One year later	983	1,470	1,620	1,276	1,468	1,813	1,285	1,714	1,107	
Two years later	987	1,563	1,454	1,035	1,438	1,816	1,353	1,671		
Three years later	976	1,553	1,444	1,018	1,397	1,750	1,247			
Four years later	973	1,510	1,443	1,129	1,544	1,738				
Five years later	973	1,509	1,482	1,179	1,402					
Six years later	973	1,547	1,483	1,179						
Seven years later	973	1,547	1,483							
Eight years later	973	1,547								
Nine years later	973									
(6) Increase (decrease) in estimated incurred losses and ALAE from end of year	124	22	(168)	(282)	48	(360)	164	(151)	(349)	---

**Michigan Municipal League Liability and Property Pool**  
**Ten Year Claim Development Information (000's)**  
**As of December 31, 2004**

**Auto Physical Damage**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
(3) Estimated incurred losses and LAE, end of year	900	1,300	1,350	1,277	1,402	1,329	1,218	1,037	1,052	961
(4) Paid (cumulative) as of:										
End of year	786	1,164	1,151	1,105	1,132	1,143	980	805	844	796
One year later	893	1,277	1,172	1,199	1,342	1,287	1,133	958	936	
Two years later	900	1,274	1,169	1,198	1,340	1,286	1,124	958		
Three years later	900	1,273	1,169	1,193	1,340	1,284	1,120			
Four years later	900	1,273	1,169	1,193	1,340	1,284				
Five years later	900	1,273	1,169	1,193	1,340					
Six years later	900	1,273	1,169	1,193						
Seven years later	900	1,273	1,169							
Eight years later	900	1,273								
Nine years later	900									
(5) Reestimated incurred losses and ALAE as of:										
End of year	900	1,300	1,350	1,277	1,402	1,329	1,218	1,037	1,052	961
One year later	908	1,278	1,172	1,200	1,348	1,288	1,136	959	940	
Two years later	900	1,274	1,169	1,198	1,340	1,287	1,124	959		
Three years later	900	1,273	1,169	1,193	1,340	1,284	1,124			
Four years later	900	1,273	1,169	1,193	1,340	1,284				
Five years later	900	1,273	1,169	1,193	1,340					
Six years later	900	1,273	1,169	1,193						
Seven years later	900	1,273	1,169							
Eight years later	900	1,273								
Nine years later	900									
(6) Increase (decrease) in estimated incurred losses and ALAE from end of year	-	(27)	(181)	(84)	(62)	(42)	(82)	(78)	(112)	-

**Michigan Municipal League Liability and Property Pool**  
**Ten Year Claim Development Information (000's)**  
**As of December 31, 2004**

**Auto Liability**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
(3) Estimated incurred losses and LAE, end of year	1,659	2,152	2,500	2,000	2,600	2,771	1,496	1,390	1,661	1,559
(4) Paid (cumulative) as of:										
End of year	129	210	211	170	445	199	125	129	175	151
One year later	297	604	1,510	248	602	556	255	198	847	
Two years later	598	1,241	1,804	515	713	1,442	406	380		
Three years later	1,641	2,576	2,040	539	726	1,814	1,247			
Four years later	1,673	2,592	2,450	589	726	1,924				
Five years later	1,792	2,593	2,456	632	726					
Six years later	2,256	2,594	2,437	632						
Seven years later	2,256	2,603	2,437							
Eight years later	2,256	2,603								
Nine years later	2,256									
(5) Reestimated incurred losses and ALAE as of:										
End of year	1,659	2,152	2,500	2,000	2,600	2,771	1,496	1,390	1,661	1,559
One year later	1,575	2,700	2,500	1,500	1,917	2,198	1,139	967	1,745	
Two years later	1,500	2,600	2,500	924	1,504	2,119	1,181	681		
Three years later	2,000	2,700	2,638	674	815	2,087	1,432			
Four years later	1,988	2,655	2,529	686	758	1,984				
Five years later	2,256	2,634	2,456	632	726					
Six years later	2,256	2,619	2,437	632						
Seven years later	2,256	2,609	2,437							
Eight years later	2,256	2,603								
Nine years later	2,256									
(6) Increase (decrease) in estimated incurred losses and ALAE from end of year	597	467	(44)	(1,314)	(1,785)	(652)	(357)	(423)	84	---

**Michigan Municipal League Liability and Property Pool**  
**Ten Year Claim Development Information (000's)**  
**As of December 31, 2004**

*Police Liability*

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
(3) Estimated incurred losses and LAE, end of year	2,381	3,350	3,000	3,500	3,784	2,788	2,661	2,783	2,805	3,016
(4) Paid (cumulative) as of:										
End of year	22	101	27	39	18	36	41	57	28	40
One year later	349	645	234	925	274	384	317	276	200	
Two years later	868	1,964	567	1,596	708	1,055	1,329	952		
Three years later	1,668	2,698	1,389	2,658	1,171	1,874	2,032			
Four years later	1,933	3,072	1,561	3,229	1,396	2,381				
Five years later	1,996	2,519	1,649	3,212	1,519					
Six years later	2,050	3,165	1,713	3,232						
Seven years later	2,181	3,310	1,713							
Eight years later	2,188	3,310								
Nine years later	2,190									
(5) Reestimated incurred losses and ALAE as of:										
End of year	2,381	3,350	3,000	3,500	3,784	2,788	2,661	2,783	2,805	3,016
One year later	3,023	4,000	2,300	4,506	3,664	3,002	2,589	2,831	3,144	
Two years later	2,215	3,600	1,978	4,145	2,574	2,805	2,836	2,594		
Three years later	2,250	3,796	1,920	3,845	1,727	3,134	3,406			
Four years later	2,237	3,588	1,861	3,769	1,705	2,940				
Five years later	2,180	2,833	1,773	3,445	1,646					
Six years later	2,185	3,340	1,713	3,323						
Seven years later	2,233	3,310	1,713							
Eight years later	2,223	3,310								
Nine years later	2,238									
(6) Increase (decrease) in estimated incurred losses and ALAE from end of year	(148)	(10)	(1,227)	269	(2,057)	17	(72)	48	339	---

**Michigan Municipal League Liability and Property Pool**  
**Ten Year Claim Development Information (000's)**  
**As of December 31, 2004**

*Public Officials Liability*

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
(3) Estimated incurred losses and LAE, end of year	5,428	4,447	4,409	4,000	4,728	4,890	5,060	3,971	4,444	4,846
(4) Paid (cumulative) as of:										
End of year	140	135	146	115	161	194	235	82	121	147
One year later	1,349	667	815	970	1,051	1,050	1,032	697	821	
Two years later	2,574	1,339	1,595	1,962	2,261	1,754	1,917	1,550		
Three years later	4,144	1,844	1,848	2,387	2,707	2,311	2,717			
Four years later	4,554	2,107	2,129	2,556	3,448	2,548				
Five years later	4,752	2,319	2,202	2,644	3,624					
Six years later	4,869	2,345	2,518	2,737						
Seven years later	4,879	2,360	2,518							
Eight years later	4,880	2,367								
Nine years later	4,880									
(5) Reestimated incurred losses and ALAE as of:										
End of year	5,428	4,447	4,409	4,000	4,728	4,890	5,060	3,971	4,444	4,846
One year later	5,665	3,048	3,800	4,021	4,759	4,443	4,562	3,773	3,723	
Two years later	5,032	2,700	3,088	3,751	4,424	3,721	4,183	3,488		
Three years later	5,600	2,726	2,612	3,490	4,200	3,373	3,866			
Four years later	5,332	2,578	2,843	3,182	4,288	3,166				
Five years later	5,139	2,598	3,000	3,092	4,555					
Six years later	5,241	2,583	2,800	2,963						
Seven years later	5,138	2,516	2,854							
Eight years later	4,880	2,417								
Nine years later	4,880									
(6) Increase (decrease) in estimated incurred losses and ALAE from end of year	(290)	(1,864)	(1,409)	(818)	(528)	(1,169)	(498)	(198)	(721)	---

**Michigan Municipal League Liability and Property Pool**  
**Ten Year Claim Development Information (000's)**  
**As of December 31, 2004**

**General Liability**

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
(3) Estimated incurred losses and LAE, end of year	5,280	6,612	6,400	6,500	6,861	8,771	6,343	5,397	5,637	3,976
(4) Paid (cumulative) as of:										
End of year	574	671	678	547	566	1,276	572	277	279	379
One year later	1,798	1,654	1,796	1,631	1,838	2,525	1,276	852	886	
Two years later	3,422	3,009	3,289	3,426	2,768	3,395	2,418	1,109		
Three years later	4,548	4,858	5,096	4,798	3,640	3,957	2,897			
Four years later	5,396	5,924	5,391	5,226	3,886	4,108				
Five years later	5,675	6,173	5,591	5,518	4,108					
Six years later	5,740	6,445	5,606	5,824						
Seven years later	5,937	6,457	5,607							
Eight years later	5,970	6,488								
Nine years later	5,970									
(5) Reestimated incurred losses and ALAE as of:										
End of year	5,280	6,612	6,400	6,500	6,861	8,771	6,343	5,397	5,637	3,976
One year later	5,950	6,200	6,400	7,100	7,171	8,219	6,507	4,755	3,759	
Two years later	5,363	6,200	6,405	7,119	5,892	6,718	5,208	2,697		
Three years later	5,700	7,100	6,671	6,605	4,850	5,799	3,725			
Four years later	6,086	7,241	6,127	6,241	4,410	4,777				
Five years later	6,076	6,693	5,844	5,971	4,340					
Six years later	6,029	6,539	5,692	5,890						
Seven years later	6,032	6,520	5,607							
Eight years later	5,970	6,488								
Nine years later	5,970									
(6) Increase (decrease) in estimated incurred losses and ALAE from end of year	752	(73)	(556)	(259)	(2,011)	(2,053)	164	(642)	(1,878)	---

**MICHIGAN MUNICIPAL LEAGUE LIABILITY & PROPERTY POOL  
COMPARATIVE STATEMENT OF REVENUES AND EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 2005, 2004, 2003, 2002, 2001, 2000, 1999, 1998, 1997, & 1996**

	2004	2003	2002	2001	2000	1999	1998	1997
<b>Revenues:</b>								
Earned Premiums	\$25,173,739	\$24,294,519	\$22,507,378	\$21,833,792	\$21,987,818	\$23,727,953	\$23,918,241	\$23,846,829
Less - Reinsurance Premiums	10,023,227	8,277,194	7,885,956	5,903,144	5,066,269	6,822,300	6,086,728	5,923,775
Net Earned Premiums	\$15,150,511	\$16,017,325	\$14,621,422	\$15,930,648	\$16,921,549	\$16,905,653	\$17,831,513	\$17,923,054
Investment Income (Note 2)	2,532,362	2,534,613	2,679,917	3,151,521	3,236,827	3,431,669	2,735,248	3,289,415
Net increase in the fair value of investments (Note 3)	(464,922)	961,640	(192,492)	(26,572)	1,026,226	(929,699)	1,844,310	1,795,078
Other	-15,182	37,719	334,124	6,104	6,179	20,953	12,585	
<b>Total Revenues</b>	<b>\$17,202,770</b>	<b>\$19,551,297</b>	<b>\$17,442,971</b>	<b>\$19,061,701</b>	<b>\$21,190,781</b>	<b>\$19,428,576</b>	<b>\$22,423,656</b>	<b>\$23,007,547</b>
<b>Expenses:</b>								
Claims Expense Incurred	\$8,969,070	\$11,342,983	\$5,305,276	\$14,107,304	\$17,672,286	\$18,921,323	\$17,275,431	\$14,361,502
Service Fees	3,909,659	4,335,717	4,353,660	4,414,602	4,735,260	4,393,870	4,483,715	4,710,989
Administrative Expenses	434,877	289,233	324,234	318,458	480,536	405,403	444,356	335,314
Distribution to Participants	0	0	0	0	0	0	0	0
<b>Total Expenses</b>	<b>\$13,313,606</b>	<b>\$15,967,933</b>	<b>\$9,983,170</b>	<b>\$18,840,364</b>	<b>\$22,888,082</b>	<b>\$23,720,596</b>	<b>\$22,203,502</b>	<b>\$19,407,805</b>
Change in Accounting Principle (Note 1)	-	-	-	-	-	-	-	-
<b>Excess of Revenues over Expenses</b>	<b>\$3,889,164</b>	<b>\$3,583,364</b>	<b>\$7,459,802</b>	<b>\$221,337</b>	<b>(\$1,697,301)</b>	<b>(\$4,292,020)</b>	<b>\$220,154</b>	<b>\$3,599,742</b>

Note 1 - Cumulative effect on prior years (to December 31, 1987) of changing to a different reserve valuation method.

Note 2 - The Pool's investment in NLC Mutual Insurance Company is accounted for under the equity method.

Note 3 - The Pool adopted GASB 31 in 1998 which requires unrealized investment gains & losses to be reported as a component of income. Accordingly, 1997 revenue and expenses have also been restated.

MICHIGAN MUNICIPAL LEAGUE LIABILITY & PROPERTY POOL  
 COMPARATIVE STATEMENT OF REVENUES AND EXPENSES  
 FOR THE YEARS ENDED DECEMBER 31, 1995, 1994, 1993, 1992, 1991, 1990, 1989, 1988, 1987, 1986, 1985, & 1984

	1995	1994	1993	1992	1991	1990	1989	1988	1987	1986	1985
<b>Revenues:</b>											
Earned Premiums	\$24,765,824	\$23,728,005	\$22,047,344	\$19,878,280	\$17,855,465	\$17,108,822	\$16,371,502	\$15,960,142	\$14,840,270	\$13,457,325	\$4,857,474
Less - Reinsurance Premiums	6,453,813	7,044,520	6,470,767	5,129,814	4,554,878	4,120,351	4,393,732	4,300,485	4,124,611	4,347,936	1,538,427
Net Earned Premiums	\$18,312,011	\$16,683,485	\$15,576,577	\$14,748,466	\$13,300,587	\$12,988,471	\$11,977,770	\$11,659,657	\$10,715,659	\$9,109,389	\$3,319,047
Investment Income (Note 2)	3,691,182	2,236,254	4,401,719	3,567,148	3,336,819	2,602,246	2,043,302	1,361,573	916,319	544,272	194,980
Net increase in the fair value of investments (Note 3)											
Other											
<b>Total Revenues</b>	<b>\$22,003,193</b>	<b>\$18,919,739</b>	<b>\$19,978,296</b>	<b>\$18,315,614</b>	<b>\$16,637,406</b>	<b>\$15,590,717</b>	<b>\$14,021,072</b>	<b>\$13,021,230</b>	<b>\$11,631,978</b>	<b>\$9,653,661</b>	<b>\$3,514,027</b>
<b>Expenses:</b>											
Claims Expense Incurred	\$12,789,204	\$8,542,228	\$12,624,959	\$20,891,408	\$13,314,822	\$12,942,008	\$7,994,026	\$11,296,139	\$7,388,034	\$5,551,932	\$2,329,191
Service Fees	4,314,234	3,938,646	3,957,270	3,695,151	2,614,931	2,729,113	2,891,359	2,510,847	2,336,682	2,053,207	754,915
Administrative Expenses	292,776	374,949	435,750	465,141	359,870	388,618	403,614	134,250	106,981	50,985	35,845
Distribution to Participants	0	0	0	0	0	0	0	0	0	0	0
<b>Total Expenses</b>	<b>\$17,396,214</b>	<b>\$12,855,823</b>	<b>\$17,017,979</b>	<b>\$25,051,700</b>	<b>\$16,289,623</b>	<b>\$16,059,739</b>	<b>\$11,288,999</b>	<b>\$13,941,236</b>	<b>\$9,831,697</b>	<b>\$7,656,124</b>	<b>\$3,119,951</b>
Change in Accounting Principle (Note 1)	-	-	-	-	-	-	-	1,325,000	-	-	-
<b>Excess of Revenues over Expenses</b>	<b>\$4,606,979</b>	<b>\$6,063,916</b>	<b>\$2,960,317</b>	<b>(\$6,736,086)</b>	<b>\$347,783</b>	<b>(\$469,022)</b>	<b>\$2,732,073</b>	<b>\$404,994</b>	<b>\$1,800,281</b>	<b>\$1,997,537</b>	<b>\$394,076</b>

Note 1 - Cumulative effect on prior years (to December 31, 1987) of changing to a different reserve valuation method.

Note 2 - The Pool's investment in NLC Mutual Insurance Company is accounted for under the equity method.

Note 3 - The Pool adopted GASB 31 in 1998 which requires unrealized investment gains & losses to be reported as a component of income. Accordingly, 1997 revenue and expenses have also been restated.



**MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL**  
**REINSURANCE RECOVERABLES on UNPAID LOSSES BY REINSURER**  
**AS OF DECEMBER 31, 2004**

Column 5

CLAIM	Layer	Recoverable	MMLPP Share	MCCA	Discover Re (USF&G)	Everest Re	JK Buck	NLC Mutual	American Re	Reinsurers' Total
33rd District Court Property	-	12,490.24	-	-	-	-	-	-	-	12,490.24
Downriver Community Property	-	19,789.64	-	-	-	-	-	-	12,490.24	19,789.64
Etheridge vs Grosse Pointe Park	1	317,646.30	-	-	-	-	-	-	19,789.64	317,646.30
Etheridge vs Grosse Pointe Park	2	1,000,000.00	-	-	190,587.78	95,293.89	-	31,764.63	-	1,000,000.00
Etheridge vs Grosse Pointe Park	3	723,128.28	-	-	350,000.00	250,000.00	300,000.00	100,000.00	-	723,128.28
Goose Island Brewery vs Keego Harbor	1	65,184.43	-	-	144,625.66	72,312.83	433,876.97	72,312.83	-	65,184.43
Grandville Property	-	37,617.40	-	-	26,073.77	13,036.89	19,555.33	6,518.44	-	37,617.40
Kingsford Property	-	510,873.87	-	-	37,617.40	-	-	-	-	510,873.87
Leusby vs. Alpena	-	98,573.27	-	-	510,873.87	-	-	-	-	98,573.27
Madrigal vs Allen Park	1	500,000.00	-	98,573.27	-	-	-	-	-	500,000.00
Park vs Brownstown	2	206,766.06	-	-	200,000.00	100,000.00	150,000.00	50,000.00	-	206,766.06
	-	10,997.18	-	10,997.18	72,368.12	51,691.52	62,029.82	20,676.61	-	10,997.18
Total Reinsurance Recoverable		3,503,066.67	-	109,570.45	1,532,146.60	582,335.12	965,462.12	281,272.51	32,279.88	3,503,066.67

Michigan Municipal League Liability & Property Pool  
Operating Demographic Information

<i>Descriptions</i>	<i>2004</i>	<i>2003</i>	<i>2002</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>
Total Numbers of Members	396	387	387	683	777	817	814
Total Number of Employees	18,184	18,386	18,913	21,582	21,096	20,574	21,490
Total Number of Elected Officials	2,567	2,504	2,418	5,483	5,185	5,170	5,107
Total Fire Departments	147	141	134	265	516	568	352
Total Law Enforcement Agencies	207	203	201	232	227	320	297
Total Ambulance/Rescue Agencies	14	44	45	123	156	159	123
Total Water Service Operations	190	184	177	202	190	291	268
Total Sewer Plant Operations	149	145	144	199	169	449	283
Total Municipal Marinas	25	24	28	27	28	39	35
Total Acres Municipal Parks & Playgroun	13,830	14,167	11,684	16,763	26,740	29,512	15,407
Total Miles of Streets and Roads	4,812	5,332	6,187	6,616	7,250	6,839	7,122
Total Vehicles	7,632	7,490	8,590	9,048	9,137	9,799	10,242
Total Value of Property	3,395,434,588	3,329,361,644	3,084,312,139	3,343,672,692	3,106,030,518	2,679,481,975	3,381,956,656

*Police Officers by Class*

Class A	2,362 Full Time Officers, including Chief, with arrest authority	1478
Class B	507 Part-time, Auxiliary or Reserve with arrest authority	276
Class C	663 Part-time, Auxiliary or Reserve with no arrest authority	384
Class D	684 Clerical, Dispatchers, Civil Process, Jailers, Matrons, Court Security	482
Class F	50 Dogs, Horses	28
Total	4,266	2648

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL  
REINSURANCE HISTORY  
As of December 31, 2004

COVERAGE	PERIOD	REINSURER	ATTACHMENT		PARTI-		BASE		
			SPECIFIC	AGGREGATE	CIPATION	DESCRIPTION OF LOSSES COVERED	PREMIUM	REIN RATE	REIN PREMIUM
LIABILITY & AUTO									
12/1/82-7/9/84 (Occurrence)	MEAD RE	900M X 100M	705,272	100.0%	LOSSES INCURRED 12/1/82-7/9/84	726,270	15.7% LIAB	115,477	
			PREM*60%			449,184	17.9% AUTO	80,404	
						1,175,454		195,881	
7/10/84-2/18/85 (Occurrence)	CORPORATE UNDERWRITERS TREATY	900 X 100M	1,259,612	100.0%	LOSSES INCURRED 7/10/84 & AFTER IF POL EFF BEFORE 7/10/84 PLUS ALL LOSSES FOR POL EFF 7/10/84-2/18/85	1,285,864 813,490 2,099,354	19.69% LIAB 1.89% AUT	253,187 178,073 431,260	
3/1/85-86 (Occurrence)	UNITED INS CO	850M X 150M	5,105,545	100.0%	LOSSES FOR POL EFF BTW 3/1/85-86 -EXCLUDING AUTO PHYS DAM	5,672,828	33%	\$1,872,033	
6/15/85-3/1/86 (Occurrence)	PINE TOP ANECO RE EBCO DOMINION CO OF AMERICA FLA EXCHGE (11 SYND)  EFFECTIVE 1/1/86 PINE TOP MML POOL	1MM X 1MM		50.0% 15.0% 10.0% 2.0% 23.0%  (20%) 20.0%	EXCESS OF UNITED	3,389,540	30%	1,016,862	
12/1/85-3/1/86 (Occurrence)	PRUDENTIAL RE ANECO RE EMPLOYERS MUT. CAS. SIGNET RE EBBTIDE INDEMNITY STAR	1MM X 2MM		35.0% 15.0% 8.0% 7.5% 27.0% 7.5%	EXCESS OF UNITED	1,151,252	25.0%	287,818 (175,000M&D)	
4/1/86-87 (Claims Made)	ANECO RE INTERAMERICA RE STAR RIVERPLATE RE IMPERIAL CASUALTY MML POOL	500M X 500M 500M DEDUCT IN LAYER		30.0% 20.0% 20.0% 15.0% 7.5% 7.5%	LOSSES ON POL. EFF. BET. 4/1/86- 4/1/87. EXCLUDES AUTO PHYS DAM, CLAIMS MADE, BASE PREM IS SUM OF COV CODES 62,63,64,67,15	7,118,386	20.0%	1,423,677 (1,000,000M&D)	
4/1/86-87 (Claims Made)	PRUDENTIAL RE EBBCO INTL ANECO RE U/W STAR FLA EXCHG (10 SYND)	1MM X 1MM		30.0% 25.0% 12.5% 2.5% 30.0%	BASE PREM = IF CODE 39, THEN SUM OF 62,63,64,67,15	5,978,794	27.5%	1,644,165 (1,000,000M&D)	
1/1/87-4/1/87 (Claims Made)	CLASSIC SYND-ILL EXCH			13.5%	REPLACED 5 FLA EXCHG SYNDICATES				
4/1/86-87 (Claims Made)	STAR	5MM X 125%		100.0%	LOSSES WITHIN PRIMARY RETENTION	7,118,386	100/70 * LOSSES	30,000M&D	

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL  
REINSURANCE HISTORY  
As of December 31, 2004

COVERAGE PERIOD	REINSURER	ATTACHMENT		PARTI- CIPATION	DESCRIPTION OF LOSSES COVERED	BASE PREMIUM	REIN RATE	REIN PREMIUM
		SPECIFIC	AGGREGATE					
10/1/86-87 (Claims Made)	NLC RE MML POOL	1MM X 2MM		50.0%	LOSSES ON POL. EFF. BET 10/1/86-87	664,496	QUOTA SHARE	332,248
4/1/87-88 (Claims Made)	ANECO RE U/W FORUM RE U/W STAR IMPERIAL CASUALTY CLASSIC SYND-ILL EXCH. CORONET	500M X 500M 500M DEDUCT IN LAYER		30.0% 30.0% 15.0% 10.0% 10.0% 5.0%	LOSSES ON POL. EFF. BET. 4/1/87-88 EXCLUDES AUTO PHYS DAM. NO-FAULT CLAIMS MADE-BASE PREM IS SUM OF COV CODES 62,63,64,15	6,936,264	12.5%	867,033 (850,000 M&D)
4/1/87-88 (Claims Made)	PRUDENTIAL RE ANECO RE U/W FORUM RE U/W STAR TOOLING MANUF. INS. LTD. CLASSIC SYND-ILL EXCH. NLC RE	1MM X 1MM		30.0% 10.0% 10.0% 10.0% 10.0% 20.0%	BASE PREM-IF CODE 39, THEN SUM OF 62,63,64,15	5,819,439	25.0%	1,454,860 (1,500,000M&D)
4/1/87-88 (Claims Made)	STAR		5MM X 125%	100.0%	LOSSES WITHIN PRIMARY RETENTION	6,936,264	100/70 * LOSSES	30,000 M & D
10/1/87-88 (Claims Made)	NLC RE MML POOL	1MM X 2MM CANCELLED 4/1/88		50.0% 50.0%	LOSSES ON POL. EFF. BET 10/1/87-88 QUOTA SHARE	443,828	QUOTA SHARE	221,914 EST.
4/1/88-89 (Claims Made)	ANECO RE FORUM RE STAR CORONET CLASSIC SYND-ILL EXCH.	500M X 500M 250M DEDUCT IN LAYER		25.0% 25.0% 20.0% 15.0% 15.0%	LOSSES ON POL. EFF. BET. 4/1/88-89 EXCLUDES AUTO PHYS DAM, NO-FAULT CLAIMS MADE-BASE PREM IS SUM OF COV CODES 62,63,64,15	7,237,549	11.75%	850,412 (770,000 M&D)
4/1/88-89 (Claims Made)	PRUDENTIAL RE BELVEDERE ANECO RE FORUM RE CLASSIC SYND-ILL EXCH. STAR	1MM X 1MM		30.0% 20.0% 12.5% 12.5% 12.5% 12.5%	BASE PREM-IF CODE 39, THEN SUM OF 62,63,64,15	6,121,860	22.0%	1,345,809 (1,200,000 M&D)
4/1/88-89 (Claims Made)	MINET-LONDON PRUDENTIAL RE NLC MUTUAL MML POOL	3MM X 2MM		50.00% 16.67% 16.67% 16.67%	QUOTA SHARE	3,540,564	25.0%	885,141 (1,100,000 M&D)
4/1/89-90 (Claims Made)	ANECO RE FORUM RE STAR	500M X 500M 750M DEDUCT OR 11% OF PREM IN LAYER		37.50% 37.50% 25.00%	LOSSES ON POL. EFF. BET. 4/1/89-90 EXCLUDES AUTO PHYS DAM, NO-FAULT CLAIMS MADE-BASE PREM IS SUM OF COV CODES 62,63,64,15	7,370,000 EST.	4.0%	275,000 M & D

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL

REINSURANCE HISTORY

As of December 31, 2004

COVERAGE PERIOD	REINSURER	ATTACHMENT		PARTI- CIPATION	DESCRIPTION OF LOSSES COVERED	BASE PREMIUM	REIN RATE	REIN PREMIUM
		SPECIFIC	AGGREGATE					
4/1/89-90 (Claims Made)	PRUDENTIAL RE	1MM X 1MM		40.00%	BASE PREM = IF CODE 39, THEN SUM OF	5,500,000	22.0%	1,467,203
	NLC MUTUAL			30.00%	62,63,64,15	EST.		(1,200,000 M&D)
	ANECO RE			10.00%		6,669,107		
	FORUM RE			10.00%		ACTUAL		
	DORINCO RE			10.00%				
4/1/89-90 (Claims Made)	NLC MUTUAL	3MM X 2MM		90.00%	QUOTA SHARE	4,800,000	25.0%	1,200,000
	MML POOL			10.00%				(1,000,000 M&D)
4/1/90-91 (Occurrence)	PRUDENTIAL RE	1MM X 1MM		60.00%	ALL POLICIES WRITTEN AFTER 4/1	6,000,000	22.0%	1,200,000
	CNA RE & LLOYDS			40.00%	WRITTEN ON AN OCCURRENCE BASIS.	EST.		M & D
4/1/90-91 (Occurrence)	NLC MUTUAL	3MM X 2MM		96.00%	QUOTA SHARE	5,000,000	23.0%	1,200,000
	MML POOL			4.00%		EST.		MIN
						5,253,817		1,208,378
4/1/91-92 (Occurrence)	PRUDENTIAL RE	1MM X 1MM		70.00%	ALL LINES OF COVERAGE ON AN	EST 6,500,000	20.0%	1,400,000 D
	CNA RE INTRN'L LTD			30.00%	OCCURRENCE BASIS. BASE PREMIUM IS	ACT 7,708,047		ACT 1,079,127
					EQUAL TO THE SUM OF COV CODES 62,63,64,15,93	CNA EST -		
4/1/91-92 (Occurrence)	CNA RE INTRN'L LTD	3MM X 2MM		80.00%	ALL LINES OF COVERAGE ON AN	4,404,000	21.0%	925,000
	NLC MUTUAL			20.00%	OCCURRENCE BASIS. BASE PREMIUM IS	EST.		MINIMUM
					EQUAL TO THE SUM OF OCV CODES 62,63,64,15,93			
4/1/92-93 (Occurrence)	TRANSAMERICA	500 X 500		60.00%	ALL GENERAL & AUTO LIABILITY LINES	EST. 9,000,000	13.0%	1,200,000 D
	PRUDENTIAL RE			30.00%	OF COVERAGE ON AN OCCURRENCE BASIS	ACT 9,682,665		ACT 1,258,746
	MML POOL			10.00%				
4/1/92-93 (Occurrence)	TRANSAMERICA	1MM X 1MM		35.00%	ALL GENERAL & AUTO LIABILITY LINES	EST 8,500,000	15.0%	1,300,000 D
	PRUDENTIAL RE			25.00%	OF COVERAGE ON AN OCCURRENCE BASIS	ACT 8,605,942		ACT 1,290,891
	CNA RE INTRN'L LTD			30.00%				
	NLC MUTUAL			10.00%				
4/1/92-93 (Occurrence)	TRANSAMERICA	3MM X 2MM		20.00%	ALL GENERAL & AUTO LIABILITY LINES	EST 4,800,000	19.0%	950,000 D
	PRUDENTIAL RE			10.00%	OF COVERAGE ON AN OCCURRENCE BASIS	ACT 5,708,239		ACT 1,084,565
	CNA RE INTRN'L LTD			60.00%				
	NLC MUTUAL			10.00%				
4/1/92-93 (Occurrence)	TRANSAMERICA	5MM X 5MM		50.00%	ALL GENERAL & AUTO LIABILITY LINES	EST 2,700,000	15.0%	500,000 D
	PRUDENTIAL RE			10.00%	OF COVERAGE ON AN OCCURRENCE BASIS	ACT 2,019,023		
	CNA RE INTRN'L LTD			30.00%				
	NLC MUTUAL			10.00%				
4/1/93-94 (Occurrence)	TRANSAMERICA	500 x 500		60.00%	ALL GENERAL & AUTO LIABILITY LINES	EST 10,770,000	14.0%	1,507,800 D
	PRUDENTIAL RE			30.00%	OF COVERAGE ON AN OCCURRENCE BASIS	ACT 10,794,104		ACT 1,511,175
	MML POOL			10.00%				

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL

REINSURANCE HISTORY

As of December 31, 2004

COVERAGE		ATTACHMENT			PARTI-	BASE			
PERIOD	REINSURER	SPECIFIC	AGGREGATE	CIPATION	DESCRIPTION OF LOSSES COVERED	PREMIUM	REIN RATE	REIN PREMIUM	
4/1/93-94 (Occurrence)	TRANSAMERICA PRUDENTIAL RE CNA RE INTRN'L LTD NLC MUTUAL	1MM X 1MM		35.00% 25.00% 30.00% 10.00%	ALL GENERAL & AUTO LIABILITY LINES OF COVERAGE ON AN OCCURRENCE BASIS	EST 9,700,000 ACT 9,588,732	14.0%	1,358,000 D ACT 1,342,422	
4/1/93-94 (Occurrence)	TRANSAMERICA PRUDENTIAL RE CNA RE INTRN'L LTD NLC MUTUAL	3MM X 2MM		20.00% 10.00% 60.00% 10.00%	ALL GENERAL & AUTO LIABILITY LINES OF COVERAGE ON AN OCCURRENCE BASIS	EST 6,450,000 ACT 6,330,728	18.0%	1,161,000 D ACT 1,139,531	
4/1/93-94 (Occurrence)	TRANSAMERICA PRUDENTIAL RE CNA RE INTRN'L LTD NLC MUTUAL	5MM X 5MM		50.00% 10.00% 30.00% 10.00%	ALL GENERAL & AUTO LIABILITY LINES OF COVERAGE ON AN OCCURRENCE BASIS	ACT 2,060,403	15.0%	450,000 DEPOSIT JH 550,000	
4/1/94-95 (Occurrence)	TRANSAMERICA PRUDENTIAL RE NLC MUTUAL	500 x 500 \$500,000 DEDUCTIBLE		60.00% 30.00% 10.00%	ALL GENERAL & AUTO LIABILITY LINES OF COVERAGE ON AN OCCURRENCE BASIS	EST 11,449,000 ACT 10,915,510	10.7%	1,225,000 D ACT 1,167,960	
4/1/94-95 (Occurrence)	TRANSAMERICA PRUDENTIAL RE CNA RE INTRN'L LTD NLC MUTUAL	1MM X 1MM		35.00% 25.00% 30.00% 10.00%	ALL GENERAL & AUTO LIABILITY LINES OF COVERAGE ON AN OCCURRENCE BASIS	EST 10,400,000 ACT 9,618,747	13.0%	1,352,000 D ACT 1,250,437	
4/1/94-95 (Occurrence)	TRANSAMERICA PRUDENTIAL RE CNA RE INTRN'L LTD NLC MUTUAL	3MM X 2MM		20.00% 10.00% 60.00% 10.00%	ALL GENERAL & AUTO LIABILITY LINES OF COVERAGE ON AN OCCURRENCE BASIS	EST 6,900,000 ACT 6,546,290	18.0%	1,242,000 D ACT 1,178,332	
4/1/94-95 (Occurrence)	TRANSAMERICA PRUDENTIAL RE CNA RE INTRN'L LTD NLC MUTUAL	5MM X 5MM		50.00% 10.00% 30.00% 10.00%	ALL GENERAL & AUTO LIABILITY LINES OF COVERAGE ON AN OCCURRENCE BASIS	EST 2,667,000 ACT 2,179,253	15.0%	400,000 JH=450,000 MIN	
4/1/95-96 (Occurrence)	TRANSAMERICA PRUDENTIAL RE NLC MUTUAL	500 x 500 \$500,000 DEDUCTIBLE		60.00% 30.00% 10.00%	ALL GENERAL & AUTO LIABILITY LINES OF COVERAGE ON AN OCCURRENCE BASIS	EST 11,500,000 ACT 11,390,261	10.7%	1,230,500 D ACT 1,218,758	
4/1/95-96 (Occurrence)	TRANSAMERICA PRUDENTIAL RE CNA RE INTRN'L LTD NLC MUTUAL	1MM X 1MM		35.00% 25.00% 30.00% 10.00%	ALL GENERAL & AUTO LIABILITY LINES OF COVERAGE ON AN OCCURRENCE BASIS	EST 10,400,000 ACT 10,299,865	12.0%	1,248,000 D ACT 1,235,984	
4/1/95-96 (Occurrence)	TRANSAMERICA PRUDENTIAL RE CNA RE INTRN'L LTD NLC MUTUAL	3MM X 2MM		20.00% 10.00% 60.00% 10.00%	ALL GENERAL & AUTO LIABILITY LINES OF COVERAGE ON AN OCCURRENCE BASIS	EST 6,900,000 ACT 7,248,636	17.0%	1,173,000 D ACT 1,232,268	

## MICHIGAN MUNICIPAL LIABILITY &amp; PROPERTY POOL

## REINSURANCE HISTORY

As of December 31, 2004

COVERAGE	PERIOD	REINSURER	SPECIFIC	ATTACHMENT	AGGREGATE	PARTI-	DESCRIPTION OF LOSSES COVERED	BASE	PREMIUM	REIN RATE	REIN PREMIUM
						CIPATION					
4/1/95-96	(Occurrence)	TRANSAMERICA	5MM X 5MM			50.00%	ALL GENERAL & AUTO LIABILITY LINES	EST 2,667,000		15.0%	400,000 M&D
		PRUDENTIAL RE				10.00%	OF COVERAGE ON AN OCCURRENCE BASIS	ACT 2,894,575			ACT 434,186
		CNA RE INTRN'L LTD				30.00%				12.0%	CNA = 550,000 D
		NLC MUTUAL				10.00%					
4/1/96-97	(Occurrence)	USF&G	500 x 500			60.00%	ALL GENERAL & AUTO LIABILITY LINES	EST 12,000,000		9.38%	1,125,600 D
		EVEREST RE (PRUDENTIAL)	\$500,000 DEDUCTIBLE			30.00%	OF COVERAGE ON AN OCCURRENCE BASIS	ACT 12,189,742			ACT 1,143,398
		NLC MUTUAL				10.00%					
4/1/96-97	(Occurrence)	USF&G	1MM X 1MM			35.00%	ALL GENERAL & AUTO LIABILITY LINES	EST 10,800,000		10.25%	1,107,000 D
		EVEREST RE (PRUDENTIAL)				25.00%	OF COVERAGE ON AN OCCURRENCE BASIS	ACT 11,165,519			ACT 1,144,466
		CNA RE INTRN'L LTD				30.00%					
		NLC MUTUAL				10.00%					
4/1/96-97	(Occurrence)	USF&G	3MM X 2MM			20.00%	ALL GENERAL & AUTO LIABILITY LINES	EST 7,200,000		14.35%	1,033,200 D
		EVEREST RE (PRUDENTIAL)				10.00%	OF COVERAGE ON AN OCCURRENCE BASIS	ACT 8,529,078			ACT 1,223,923
		CNA RE INTRN'L LTD				60.00%					
		NLC MUTUAL				10.00%					
4/1/96-97	(Occurrence)	USF&G	5MM X 5MM			50.00%	ALL GENERAL & AUTO LIABILITY LINES	EST 3,542,000		12.0%	425,000 M&D
		EVEREST RE (PRUDENTIAL)				10.00%	OF COVERAGE ON AN OCCURRENCE BASIS	ACT 3,181,338			ACT 425,000
		CNA RE INTRN'L LTD				30.00%					
		NLC MUTUAL				10.00%					
4/1/97-98	(Occurrence)	DISCOVER RE (USF&G)	500 x 500			40.00%	ALL GENERAL & AUTO LIABILITY LINES	EST 12,000,000		8.50%	1,020,000 D
		CNA RE INTRN'L LTD				30.00%	OF COVERAGE ON AN OCCURRENCE BASIS	ACT 12,399,569			ACT 1,053,963
		EVEREST RE (PRUDENTIAL)				20.00%					
		NLC MUTUAL				10.00%					
4/1/97-98	(Occurrence)	DISCOVER RE (USF&G)	1MM X 1MM			35.00%	ALL GENERAL & AUTO LIABILITY LINES	EST 10,800,000		10.25%	1,107,000 D
		EVEREST RE (PRUDENTIAL)				25.00%	OF COVERAGE ON AN OCCURRENCE BASIS	ACT 11,558,452			950,000 M
		CNA RE INTRN'L LTD				30.00%					ACT 1,184,128
		NLC MUTUAL				10.00%					
4/1/97-98	(Occurrence)	DISCOVER RE (USF&G)	3MM X 2MM			20.00%	ALL GENERAL & AUTO LIABILITY LINES	EST 7,200,000		14.35%	1,033,200 D
		EVEREST RE (PRUDENTIAL)				10.00%	OF COVERAGE ON AN OCCURRENCE BASIS	ACT 8,792,289			950,000 M
		CNA RE INTRN'L LTD				60.00%					ACT 1,259,933
		NLC MUTUAL				10.00%					
4/1/97-98	(Occurrence)	DISCOVER RE (USF&G)	5MM X 5MM			50.00%	ALL GENERAL & AUTO LIABILITY LINES	EST 3,542,000		12.0%	425,000 M&D
		EVEREST RE (PRUDENTIAL)				10.00%	OF COVERAGE ON AN OCCURRENCE BASIS	ACT 3,398,928			ACT 419,862
		CNA RE INTRN'L LTD				30.00%					
		NLC MUTUAL				10.00%					
4/1/98-99	(Occurrence)	DISCOVER RE (USF&G)	500 x 500			40.00%	ALL GENERAL & AUTO LIABILITY LINES	EST 12,100,000		8.50%	1,028,500 D
		CNA RE INTRN'L LTD				30.00%	OF COVERAGE ON AN OCCURRENCE BASIS	ACT 12,386,568			ACT 1,052,858
		EVEREST RE (PRUDENTIAL)				20.00%					
		NLC MUTUAL				10.00%					

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL

REINSURANCE HISTORY

As of December 31, 2004

COVERAGE PERIOD	REINSURER	ATTACHMENT		PARTICIPATION	DESCRIPTION OF LOSSES COVERED	BASE		
		SPECIFIC	AGGREGATE			PREMIUM	REIN RATE	REIN PREMIUM
4/1/98-99 (Occurrence)	DISCOVER RE (USF&G)	1MM X 1MM		35.00%	ALL GENERAL & AUTO LIABILITY LINES	EST 11,100,888	9.97%	1,107,000 D
	EVEREST RE (PRUDENTIAL)			25.00%	OF COVERAGE ON AN OCCURRENCE BASIS	ACT 11,595,381		
	CNA RE INTRN'L LTD			30.00%				
	NLC MUTUAL			10.00%				ACT 1,155,461
4/1/98-99 (Occurrence)	DISCOVER RE (USF&G)	3MM X 2MM		20.00%	ALL GENERAL & AUTO LIABILITY LINES	EST 8,483,640	12.97%	1,100,000 D
	EVEREST RE (PRUDENTIAL)			10.00%	OF COVERAGE ON AN OCCURRENCE BASIS	ACT 9,023,871		
	CNA RE INTRN'L LTD			60.00%				950,000 M
	NLC MUTUAL			10.00%				ACT 1,168,824
4/1/98-99 (Occurrence)	DISCOVER RE (USF&G)	5MM X 5MM		50.00%	ALL GENERAL & AUTO LIABILITY LINES	EST 3,542,000	12.0%	400,000 D
	EVEREST RE (PRUDENTIAL)			10.00%	OF COVERAGE ON AN OCCURRENCE BASIS	ACT 3,884,750		
	CNA RE INTRN'L LTD			30.00%				300,000 M
	NLC MUTUAL			10.00%				ACT 466,170
4/1/99-2000 (Occurrence)	DISCOVER RE (USF&G)	500 x 500		40.00%	ALL GENERAL & AUTO LIABILITY LINES	EST 12,114,228	8.50%	1,030,000 D
	CNA RE INTRN'L LTD			30.00%	OF COVERAGE ON AN OCCURRENCE BASIS	ACT 11,350,247		
	EVEREST RE (PRUDENTIAL)			20.00%				ACT 964,771
	NLC MUTUAL			10.00%				
4/1/99-2000 (Occurrence)	DISCOVER RE (USF&G)	1MM X 1MM		35.00%	ALL GENERAL & AUTO LIABILITY LINES	EST 11,100,888	9.97%	1,107,000 D
	EVEREST RE (PRUDENTIAL)			25.00%	OF COVERAGE ON AN OCCURRENCE BASIS	ACT 10,640,137		
	CNA RE INTRN'L LTD			30.00%				950,000 M
	NLC MUTUAL			10.00%				ACT 1,060,273
4/1/99-2000 (Occurrence)	DISCOVER RE (USF&G)	3MM X 2MM		20.00%	ALL GENERAL & AUTO LIABILITY LINES	EST 8,483,640	12.97%	1,100,000 D
	EVEREST RE (PRUDENTIAL)			10.00%	OF COVERAGE ON AN OCCURRENCE BASIS	ACT 8,236,949		
	CNA RE INTRN'L LTD			60.00%				950,000 M
	NLC MUTUAL			10.00%				ACT 1,066,897
4/1/99-2000 (Occurrence)	DISCOVER RE (USF&G)	5MM X 5MM		50.00%	ALL GENERAL & AUTO LIABILITY LINES	EST 3,332,000	14.0%	467,000 D
	EVEREST RE (PRUDENTIAL)			10.00%	OF COVERAGE ON AN OCCURRENCE BASIS	ACT 3,631,470		
	CNA RE INTRN'L LTD			30.00%				400,000 M
	NLC MUTUAL			10.00%				ACT 508,405
4/1/99-2000	DISCOVER RE (USF&G)	Aggregate Retention		100.00%	ALL GENERAL & AUTO LIABILITY LINES			80,000
					OF COVERAGE ON AN OCCURRENCE BASIS			Annual & Deposit
4/1/00-2001 (Occurrence)	DISCOVER RE (USF&G)	500 x 500		38.00%	ALL GENERAL & AUTO LIABILITY LINES	EST 11,600,000	6.47%	487,500 D
	EVEREST RE (PRUDENTIAL)			17.00%	OF COVERAGE ON AN OCCURRENCE BASIS	ACT 10,718,077		
	NLC MUTUAL			10.00%				ACT 450,749
	CNA RE INTRN'L LTD			35.00%				
						EST 11,600,000	12.93%	1,030,000 D
						ACT 10,718,077		ACT 485,047
	DISCOVER RE (USF&G)	Clash Retention		59.00%				
	EVEREST RE (PRUDENTIAL)			26.00%		Flat Premium		150,000
	NLC MUTUAL			15.00%		Charge		



MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL

REINSURANCE HISTORY

As of December 31, 2004

COVERAGE PERIOD	REINSURER	ATTACHMENT		PARTICIPATION	DESCRIPTION OF LOSSES COVERED	BASE		
		SPECIFIC	AGGREGATE			PREMIUM	REIN RATE	REIN PREMIUM
4/1/00-2001 (Occurrence)	DISCOVER RE (USF&G)	1MM X 1MM		38.00%	ALL GENERAL & AUTO LIABILITY LINES OF COVERAGE ON AN OCCURRENCE BASIS	EST 11,000,000	11.36%	812,500 D
	EVEREST RE (PRUDENTIAL)			17.00%		ACT 9,983,323		650,000 M
	NLC MUTUAL			10.00%				
	CNA RE INTRN'L LTD			35.00%				ACT 737,169
4/1/00-2001 (Occurrence)	DISCOVER RE (USF&G)	3MM X 2MM		38.00%	ALL GENERAL & AUTO LIABILITY LINES OF COVERAGE ON AN OCCURRENCE BASIS	EST 8,300,000	14.46%	780,000 D
	EVEREST RE (PRUDENTIAL)			17.00%		ACT 8,020,667		650,000 M
	NLC MUTUAL			10.00%				
	CNA RE INTRN'L LTD			35.00%				ACT 753,862
4/1/00-2001 (Occurrence)	DISCOVER RE (USF&G)	5MM X 5MM		38.00%	ALL GENERAL & AUTO LIABILITY LINES OF COVERAGE ON AN OCCURRENCE BASIS	EST 3,600,000	16.19%	378,950 D
	EVEREST RE (PRUDENTIAL)			17.00%		ACT 3,276,369		325,000 M
	NLC MUTUAL			10.00%				
	CNA RE INTRN'L LTD			35.00%				ACT 344,789
4/1/00-2001 (Occurrence)	DISCOVER RE (USF&G)	Aggregate Retention		100.00%	ALL GENERAL & AUTO LIABILITY LINES OF COVERAGE ON AN OCCURRENCE BASIS	EST 3,600,000	16.66%	210,000 D
	EVEREST RE (PRUDENTIAL)			17.00%		ACT 3,276,369		ACT 191,045
	NLC MUTUAL			10.00%				
	CNA RE INTRN'L LTD			35.00%				
4/1/01-2002 (Occurrence)	DISCOVER RE (USF&G)	500 x 500		38.00%	ALL GENERAL & AUTO LIABILITY LINES OF COVERAGE ON AN OCCURRENCE BASIS	EST 11,400,000	11.05%	95,000 Annual & Deposit
	EVEREST RE (PRUDENTIAL)			17.00%		ACT 10,776,046		487,500 D
	NLC MUTUAL			10.00%				
	CNA RE INTRN'L LTD			35.00%				ACT 1,189,648
4/1/01-2002 (Occurrence)	DISCOVER RE (USF&G)	1MM X 1MM		38.00%	ALL GENERAL & AUTO LIABILITY LINES OF COVERAGE ON AN OCCURRENCE BASIS	EST 11,400,000	11.05%	518,700 D
	EVEREST RE (PRUDENTIAL)			17.00%		ACT 10,776,046		ACT 1,189,648
	NLC MUTUAL			10.00%				
	CNA RE INTRN'L LTD			35.00%				
4/1/01-2002 (Occurrence)	DISCOVER RE (USF&G)	3MM X 2MM		38.00%	ALL GENERAL & AUTO LIABILITY LINES OF COVERAGE ON AN OCCURRENCE BASIS	EST 10,500,000	12.75%	870,187.50 D
	EVEREST RE (PRUDENTIAL)			17.00%		ACT 10,026,289		650,000 M
	NLC MUTUAL			10.00%				
	CNA RE INTRN'L LTD			35.00%				ACT 1,278,352
4/1/01-2002 (Occurrence)	DISCOVER RE (USF&G)	3MM X 2MM		38.00%	ALL GENERAL & AUTO LIABILITY LINES OF COVERAGE ON AN OCCURRENCE BASIS	EST 10,500,000	12.75%	551,250
	EVEREST RE (PRUDENTIAL)			17.00%				
	NLC MUTUAL			10.00%				
	CNA RE INTRN'L LTD			35.00%				ACT 1,310,030
4/1/01-2002 (Occurrence)	DISCOVER RE (USF&G)	3MM X 2MM		38.00%	ALL GENERAL & AUTO LIABILITY LINES OF COVERAGE ON AN OCCURRENCE BASIS	EST 8,500,000	16.15%	892,287.50 D
	EVEREST RE (PRUDENTIAL)			17.00%		ACT 8,111,640		650,000 M
	NLC MUTUAL			10.00%				
	CNA RE INTRN'L LTD			35.00%				ACT 1,310,030
4/1/01-2002 (Occurrence)	DISCOVER RE (USF&G)	5MM X 5MM		38.00%	ALL GENERAL & AUTO LIABILITY LINES OF COVERAGE ON AN OCCURRENCE BASIS	EST 8,500,000	16.15%	565,250
	EVEREST RE (PRUDENTIAL)			17.00%				
	NLC MUTUAL			10.00%				
	CNA RE INTRN'L LTD			35.00%				ACT 602,655
4/1/01-2002 (Occurrence)	DISCOVER RE (USF&G)	5MM X 5MM		38.00%	ALL GENERAL & AUTO LIABILITY LINES OF COVERAGE ON AN OCCURRENCE BASIS	EST 3,500,000	17.85%	406,087.50 D
	EVEREST RE (PRUDENTIAL)			17.00%		ACT 3,376,217		325,000 M
	NLC MUTUAL			10.00%				
	CNA RE INTRN'L LTD			35.00%				ACT 602,655
4/1/01-2002 (Occurrence)	DISCOVER RE (USF&G)	Aggregate Retention		100.00%	ALL GENERAL & AUTO LIABILITY LINES OF COVERAGE ON AN OCCURRENCE BASIS	EST 3,500,000	17.85%	257,250
	EVEREST RE (PRUDENTIAL)			17.00%				
	NLC MUTUAL			10.00%				
	CNA RE INTRN'L LTD			35.00%				
4/1/01-2002 (Occurrence)	DISCOVER RE (USF&G)	Aggregate Retention		100.00%	ALL GENERAL & AUTO LIABILITY LINES OF COVERAGE ON AN OCCURRENCE BASIS	EST 3,500,000		80,000 Annual & Deposit
	EVEREST RE (PRUDENTIAL)			100.00%				
	NLC MUTUAL			100.00%				
	CNA RE INTRN'L LTD			100.00%				

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL  
REINSURANCE HISTORY  
As of December 31, 2004

COVERAGE PERIOD	REINSURER	ATTACHMENT		PARTICIPATION	DESCRIPTION OF LOSSES COVERED	BASE		REIN PREMIUM
		SPECIFIC	AGGREGATE			PREMIUM	REIN RATE	
4/1/02-2003 (Occurrence)	DISCOVER RE (USF&G)	500 x 500		50.00%	ALL GENERAL & AUTO LIABILITY LINES	EST 11,200,000	11.05%	1,237,600 D
	EVEREST RE (PRUDENTIAL)	\$1,000,000 DEDUCTIBLE		25.00%	OF COVERAGE ON AN OCCURRENCE BASIS	ACT 10,663,821	12.3%	ACT 1,237,600
	NLC MUTUAL	TWO TIMES CORRIDOR		25.00%				
4/1/02-2003 (Occurrence)	DISCOVER RE (USF&G)	1MM X 1MM		50.00%	ALL GENERAL & AUTO LIABILITY LINES	EST 10,900,000	18.78%	2,047,020 D
	EVEREST RE (PRUDENTIAL)			25.00%	OF COVERAGE ON AN OCCURRENCE BASIS	ACT 10,093,761	21.3%	ACT 2,047,020
	NLC MUTUAL			25.00%				
4/1/02-2003 (Occurrence)	DISCOVER RE (USF&G)	3MM X 2MM		50.00%	ALL GENERAL & AUTO LIABILITY LINES	EST 9,700,000	17.00%	1,649,000 D
	EVEREST RE (PRUDENTIAL)			25.00%	OF COVERAGE ON AN OCCURRENCE BASIS	ACT 8,249,134	20.9%	ACT 1,649,000
	NLC MUTUAL			25.00%				
4/1/02-2003 (Occurrence)	DISCOVER RE (USF&G)	5MM X 5MM		50.00%	ALL GENERAL & AUTO LIABILITY LINES	EST 4,000,000	23.06%	922,603 M
	EVEREST RE (PRUDENTIAL)			17.00%	OF COVERAGE ON AN OCCURRENCE BASIS	ACT 3,252,262	27.7%	ACT 922,603
	NLC MUTUAL			25.00%				
	MMLL&PP			8.00%				
4/1/02-2003	DISCOVER RE (USF&G)	Aggregate Retention		100.00%	ALL GENERAL & AUTO LIABILITY LINES OF COVERAGE ON AN OCCURRENCE BASIS			80,000
4/01/03-2004	DISCOVER RE (MARSH)	500 x 500		45.00%	ALL GENERAL & AUTO LIABILITY LINES	EST 14,100,000	9.3%	1,304,250
	EVEREST RE (PRUDENTIAL)	\$1,000,000 DEDUCTIBLE		25.00%	OF COVERAGE ON AN OCCURRENCE BASIS			
	NLC MUTUAL	TWO TIMES CORRIDOR		20.00%				
	JK BUCKENHAM			10.00%				
4/01/03-2004	DISCOVER RE (MARSH)	1MM X 1MM		45.00%	ALL GENERAL & AUTO LIABILITY LINES	13,600,000	16.5%	2,244,000
	EVEREST RE (PRUDENTIAL)			25.00%	OF COVERAGE ON AN OCCURRENCE BASIS			
	NLC MUTUAL			20.00%				
	JK BUCKENHAM			10.00%				
4/01/03-2004	DISCOVER RE (MARSH)	3MM X 2MM		45.00%	ALL GENERAL & AUTO LIABILITY LINES	11,700,000	17.0%	1,989,000
	EVEREST RE (PRUDENTIAL)			25.00%	OF COVERAGE ON AN OCCURRENCE BASIS			
	NLC MUTUAL			20.00%				
	JK BUCKENHAM			10.00%				
4/01/03-2004	DISCOVER RE (MARSH)	5MM X 5MM		45.00%	ALL GENERAL & AUTO LIABILITY LINES	5,600,000	21.0%	1,176,000
	EVEREST RE (PRUDENTIAL)			25.00%	OF COVERAGE ON AN OCCURRENCE BASIS			
	NLC MUTUAL			20.00%				
	JK BUCKENHAM			10.00%				
4/01/03-2004	DISCOVER RE (USF&G)	Aggregate Retention		100.00%	ALL GENERAL & AUTO LIABILITY LINES OF COVERAGE ON AN OCCURRENCE BASIS			80,000

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL  
REINSURANCE HISTORY  
As of December 31, 2004

COVERAGE PERIOD	REINSURER	ATTACHMENT		PARTI- CIPATION	DESCRIPTION OF LOSSES COVERED	BASE		REIN PREMIUM
		SPECIFIC	AGGREGATE			PREMIUM	REIN RATE	
4/01/04-2005	DISCOVER RE (MARSH)	500 x 500		45.00%	ALL GENERAL & AUTO LIABILITY LINES	13,600,000	9.25%	1,258,000 D
	EVEREST RE (PRUDENTIAL)	\$1,000,000 DEDUCTIBLE		25.00%	OF COVERAGE ON AN OCCURRENCE BASIS			
	NLC MUTUAL	TWO TIMES CORRIDOR		20.00%				
	JK BUCKENHAM			10.00%				
4/01/04-2005	DISCOVER RE (MARSH)	1MM X 1MM		45.00%	ALL GENERAL & AUTO LIABILITY LINES	13,100,000	16.5%	2,161,500 D
	EVEREST RE (PRUDENTIAL)			25.00%	OF COVERAGE ON AN OCCURRENCE BASIS			
	NLC MUTUAL			20.00%				
	JK BUCKENHAM			10.00%				
4/01/04-2005	DISCOVER RE (MARSH)	3MM X 2MM		45.00%	ALL GENERAL & AUTO LIABILITY LINES	11,300,000	17.0%	1,921,000 D
	EVEREST RE (PRUDENTIAL)			25.00%	OF COVERAGE ON AN OCCURRENCE BASIS			
	NLC MUTUAL			20.00%				
	JK BUCKENHAM			10.00%				
4/01/04-2005	DISCOVER RE (MARSH)	5MM X 5MM		45.00%	ALL GENERAL & AUTO LIABILITY LINES	4,500,000	21.0%	945,000 D
	EVEREST RE (PRUDENTIAL)			25.00%	OF COVERAGE ON AN OCCURRENCE BASIS			
	NLC MUTUAL			20.00%				
	JK BUCKENHAM			10.00%				
4/01/04-2005	DISCOVER RE (USF&G)	Aggregate Retention		100.00%	ALL GENERAL & AUTO LIABILITY LINES OF COVERAGE ON AN OCCURRENCE BASIS			80,000

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL  
REINSURANCE HISTORY  
As of December 31, 2004

COVERAGE PERIOD	REINSURER	ATTACHMENT		PARTI- CIPATION	DESCRIPTION OF LOSSES COVERED	BASE		REIN PREMIUM
		SPECIFIC	AGGREGATE			PREMIUM	REIN RATE	
AUTO NO-FAULT								Minimum & Deposit
1/1/91-12/31/91	MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION	EXCESS OF \$250,000		100.00%	AUTO NO-FAULT COVERAGES	PER VEHICLE	\$101.00	776,404
1/1/92-12/31/92	MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION	EXCESS OF \$250,000		100.00%	AUTO NO-FAULT COVERAGES	PER VEHICLE	\$110.58	847,160
1/1/93-12/31/93	MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION	EXCESS OF \$250,000		100.00%	AUTO NO-FAULT COVERAGES	PER VEHICLE	\$118.69	1,054,689
1/1/94-12/31/94	MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION	EXCESS OF \$250,000		100.00%	AUTO NO-FAULT COVERAGES	PER VEHICLE	\$115.72	1,042,136
1/1/95-12/31/95	MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION	EXCESS OF \$250,000		100.00%	AUTO NO-FAULT COVERAGES	PER VEHICLE	\$96.95	923,966
1/1/96-12/31/96	MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION	EXCESS OF \$250,000		100.00%	AUTO NO-FAULT COVERAGES	PER VEHICLE	\$72.57	760,413
1/1/97-12/31/97	MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION	EXCESS OF \$250,000		100.00%	AUTO NO-FAULT COVERAGES	PER VEHICLE	\$14.94	153,810
1/1/98-12/31/98	MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION	EXCESS OF \$250,000		100.00%	AUTO NO-FAULT COVERAGES	PER VEHICLE	\$5.60	57,653
1/1/99-12/31/99	MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION	EXCESS OF \$250,000		100.00%	AUTO NO-FAULT COVERAGES	PER VEHICLE	\$5.60	56,986
1/1/00-12/31/00	MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION	EXCESS OF \$250,000		100.00%	AUTO NO-FAULT COVERAGES	PER VEHICLE	\$5.60	53,517
1/1/01-12/31/01	MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION	EXCESS OF \$250,000		100.00%	AUTO NO-FAULT COVERAGES	PER VEHICLE	\$14.41	133,369
1/1/02-6/30/02	MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION	EXCESS OF \$250,000		100.00%	AUTO NO-FAULT COVERAGES	PER VEHICLE	\$71.15 x .50	Actual 300,348
7/1/02-6/30/03	MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION	EXCESS OF \$300,000		100.00%	AUTO NO-FAULT COVERAGES	WRITTEN VEH YR	\$69.00	Actual 532,075
7/1/03-6/30/04	MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION	EXCESS OF \$325,000		100.00%	AUTO NO-FAULT COVERAGES	WRITTEN CAR YR	\$100.20	Actual 743,234
7/1/04-6/30/05	MICHIGAN CATASTROPHIC CLAIMS ASSOCIATION	EXCESS OF \$350,000		100.00%	AUTO NO-FAULT COVERAGES	WRITTEN CAR YR	\$127.24	Actual 943,485 Est.

## MICHIGAN MUNICIPAL LIABILITY &amp; PROPERTY POOL

## REINSURANCE HISTORY

As of December 31, 2004

COVERAGE	REINSURER	ATTACHMENT		PARTI-	DESCRIPTION OF LOSSES COVERED	BASE	REIN RATE	REIN PREMIUM
PERIOD		SPECIFIC	AGGREGATE	CIPATION		PREMIUM		
PROPERTY						INSURED VALUE		
12/1/82-5/15/84	BACCALA & SHOOP- TWIN CITY FIRE	50,000	162,010 PREM*60%	100.0%	LOSSES INCURRED 12/1/82-5/15/84	270,017	25.0%	69,394
	FACULTATIVE EXCESS							13,049
5/16/84-12/31/84	AFFILIATED FM	50,000/BLDG 100,000/OCC	94,500 FLAT	100.0%	LOSSES INCURRED 5/16/84-12/31/84	296,009	.05/100IV	112,620
1/1/85-86	AFFILIATED FM	50,000/BLDG 100,000/OCC	200,000 FLAT	100.0%	LOSSES INCURRED 1/1/85-86	1,213,093	.069/100IV	431,275
1/1/86-87	AFFILIATED FM	50,000/BLDG 100,000/OCC	400,000 FLAT	100.0%	LOSSES INCURRED 1/1/86-87	3,022,172	.075/100IV	812,039
1/1/87-88	AFFILIATED FM	50,000/BLDG 100,000/OCC	400,000 FLAT	100.0%	LOSSES INCURRED 1/1/87-88	3,097,042	.077/100IV	960,449
1/1/88-89	AFFILIATED FM	100,000/BLDG 200,000/OCC	500,000 FLAT	100.0%	LOSSES INCURRED 1/1/88-89 \$5,000 MAINTENANCE DEDUCTIBLE AFTER EXCEEDING AGGREGATE LIMIT	3,203,602	.065/100IV	922,968
1/1/89-6/1/89	AFFILIATED FM	100,000/BLDG 250,000/OCC	750,000 FLAT	100.0%	LOSSES INCURRED 1/1/89-6/1/89 \$10,000 MAINTENANCE DEDUCTIBLE AFTER EXCEEDING AGGREGATE LIMIT	1,400,000,000	.057/100TIV	357,227
6/1/89-1/1/90	ARKWRIGHT	100,000/BLDG 250,000/OCC	750,000 FLAT	100.0%	LOSSES INCURRED 6/1/89-1/1/90 \$10,000 MAINTENANCE DEDUCTIBLE AFTER EXCEEDING AGGREGATE LIMIT	1,400,000,000	.063/100TIV	506,000 EST.
1/1/90-1/1/91	ARKWRIGHT	100,000/LOC 250,000/OCC	750,000 FLAT	100.0%	LOSSES INCURRED 1/1/90-1/1/91 \$10,000 MAINTENANCE DEDUCTIBLE AFTER EXCEEDING AGGREGATE LIMIT	1,622,000,000	.065/100TIV	1,054,353 ACTUAL
1/1/91-1/1/92	ARKWRIGHT	100,000/LOC 250,000/OCC	750,000 FLAT	100.0%	LOSSES INCURRED 1/1/91-1/1/92 \$10,000 MAINTENANCE DEDUCTIBLE AFTER EXCEEDING AGGREGATE LIMIT	1,960,000,000	.0644/100TIV	1,262,000
1/1/92-1/1/93	ARKWRIGHT	100,000/LOC 250,000/OCC	750,000 FLAT	100.0%	LOSSES INCURRED 1/1/92-1/1/93 \$10,000 MAINTENANCE DEDUCTIBLE AFTER EXCEEDING AGGREGATE LIMIT	2,029,000,000	.0691/100TIV	1,402,586
1/1/93-1/1/94	AMERICAN REINSURANCE CO	100,000/OCC	750,000 MIN.	100.0%	LOSSES INCURRED 1/1/93-1/1/94 \$100,000 PER OCCURRENCE \$1,000 DEDUCTIBLE PER LOSS AFTER EXHAUSTING AGGREGATE	3,923,571	\$ .39	1,530,193

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL  
REINSURANCE HISTORY  
As of December 31, 2004

COVERAGE PERIOD	REINSURER	ATTACHMENT		PARTI- CIPATION	DESCRIPTION OF LOSSES COVERED	BASE		REIN PREMIUM
		SPECIFIC	AGGREGATE			PREMIUM	REIN RATE	
1/1/94-1/1/95	AMERICAN REINSURANCE CO	100,000/OCC	750,000 MIN.	100.0%	LOSSES INCURRED 1/1/94-1/1/95 \$100,000 PER OCCURRENCE \$1,000 DEDUCTIBLE PER LOSS AFTER EXHAUSTING AGGREGATE	3,849,955	\$ .39	1,501,482
1/1/95-1/1/96	AMERICAN REINSURANCE CO	100,000/OCC	750,000 MIN.	100.0%	LOSSES INCURRED 1/1/95-1/1/96 \$100,000 PER OCCURRENCE \$1,000 DEDUCTIBLE PER LOSS AFTER EXHAUSTING AGGREGATE	4,169,000	\$ .39	1,625,976 Profit (157,123)
1/1/96-1/1/97	AMERICAN REINSURANCE CO	100,000/OCC	750,000 MIN.	100.0%	LOSSES INCURRED 1/1/96-1/1/97 \$100,000 PER OCCURRENCE \$1,000 DEDUCTIBLE PER LOSS AFTER EXHAUSTING AGGREGATE	3,436,875	\$ .39	1,340,381
1/1/97-1/1/98	AMERICAN REINSURANCE CO	100,000/OCC	1,500,000	100.0%	LOSSES INCURRED 1/1/97-1/1/98 \$100,000 PER OCCURRENCE \$1,000 DEDUCTIBLE PER LOSS AFTER EXHAUSTING AGGREGATE	3,832,403	\$ .368	1,410,324
1/1/98-1/1/99	AMERICAN REINSURANCE CO	100,000/OCC	1,500,000	100.0%	LOSSES INCURRED 1/1/98-1/1/99 \$100,000 PER OCCURRENCE \$1,000 DEDUCTIBLE PER LOSS AFTER EXHAUSTING AGGREGATE	3,908,202	\$ .368	1,438,218
1/1/99-1/1/2000	AMERICAN REINSURANCE CO	100,000/OCC	1,500,000	100.0%	LOSSES INCURRED 1/1/99-1/1/00 \$100,000 PER OCCURRENCE \$1,000 DEDUCTIBLE PER LOSS AFTER EXHAUSTING AGGREGATE	4,198,240 est	\$ .368	1,544,952
1/1/00-1/1/2001	AMERICAN REINSURANCE CO	100,000/OCC	1,500,000	100.0%	LOSSES INCURRED 1/1/00-1/1/01 \$100,000 PER OCCURRENCE \$1,000 DEDUCTIBLE PER LOSS AFTER EXHAUSTING AGGREGATE	4,076,087 est	\$ .368	1,317,654 ACT
1/1/01-1/1/2002	AMERICAN REINSURANCE CO	100,000/OCC	1,500,000	100.0%	LOSSES INCURRED 1/1/01-1/1/02 \$100,000 PER OCCURRENCE \$1,000 DEDUCTIBLE PER LOSS AFTER EXHAUSTING AGGREGATE	3,580,582	\$ .368	1,414,744 Actual
1/1/02-1/1/2003	AMERICAN REINSURANCE CO	100,000/OCC	2,222,500	100.0%	LOSSES INCURRED 1/1/02-1/1/03 \$100,000 PER OCCURRENCE \$1,000 DEDUCTIBLE PER LOSS AFTER EXHAUSTING AGGREGATE	TIV	Various	1,916,449 Est
1/1/03-1/1/2004	AMERICAN REINSURANCE CO	100,000/OCC	2,500,000	100.0%	LOSSES INCURRED 1/1/03-1/1/04 \$100,000 PER OCCURRENCE \$1,000 DEDUCTIBLE PER LOSS AFTER EXHAUSTING AGGREGATE	TIV	Various	1,467,640 Est
	HARTFORD STEAM BOILER	BOILER & MACHINERY		100.0%				

MICHIGAN MUNICIPAL LIABILITY & PROPERTY POOL

REINSURANCE HISTORY

As of December 31, 2004

COVERAGE PERIOD	REINSURER	ATTACHMENT		PARTI- CIPATION	DESCRIPTION OF LOSSES COVERED	BASE PREMIUM	REIN RATE	REIN PREMIUM
		SPECIFIC	AGGREGATE					
1/1/04-1/1/2005	DISCOVER RE	5,000,000 xs 100,000		100.0%	LOSSES INCURRED 1/1/04-12/31/04			
	ST. PAUL	70,000,000 xs 5,000,000		100.0%	\$100,000 PER OCCURRENCE SIR			839,363
					\$1,000 MEMBER DEDUCTIBLE PER LOSS			
	HARTFORD STEAM BOILER	50,000,000 xs 75,000,000		100.0%				210,000
	LIBERTY MUTUAL	100,000,000 xs 125,000,000		100.0%				67,500
	HARTFORD STEAM BOILER	BOILER & MACHINERY		100.0%	100,000 SIR			90,000
		100,000,000 xs 100,000						46,265
1/1/04-1/1/2005	DISCOVER RE	5,000,000 xs 100,000		100.0%	LOSSES INCURRED 1/1/05-12/31/05			
	CHUBB INSURANCE GROUP	220,000,000 xs 5,100,000		100.0%	\$100,000 PER OCCURRENCE SIR			900,687
					\$1,000 MEMBER DEDUCTIBLE PER LOSS			
	HARTFORD STEAM BOILER	BOILER & MACHINERY						351,250
		5,000,000 xs 100,000		100.0%	LOSSES INCURRED 1/1/05-12/31/05			
	CHUBB INSURANCE GROUP	95,000,000 xs 5,100,000		100.0%	\$100,000 PER OCCURRENCE SIR			166,119
					\$1,000 MEMBER DEDUCTIBLE PER LOSS			
								25,213

# Memorandum

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TO: Michael J. Forster, Director, Risk Management Services  
FROM: Larry Peck, Risk Manager  
SUBJECT: Pool Reinsurance History and Current Reinsurance Evaluation  
DATE: April 25, 2005

This memo documents the history of the MML Liability and Property Pool reinsurance placements and presents an analysis of the current status of the various insurance arrangements. It is also useful to summarize this very important aspect of Pool financial management. This memo replaces the one written on April 22, 2004.

Following is a brief summary of each reinsurance contract in chronological order.

## **CONTRACT NO. 1 MEAD REINSURANCE**

**12/01/82 - 07/09/84**

This contract was effective at the inception of the Pool and was originally for a three-year period, but was canceled 07/09/84. It provided specific reinsurance excess of the Pool's retention of \$100,000 and aggregate protection excess of the Pool retention of \$705,000. Mead Reinsurance is a subsidiary of Mead Corporation and wrote this contract with terms very favorable to the Pool. With a premium of about \$200,000, Mead paid losses of about \$1.1 million.

Mead Re, which has been in a run off position for many years, was purchased by MidStates Insurance Co. in 1997. MidStates has continued to run off Mead Re's liabilities.

The last large case under this contract was settled in 1990 for \$450,000 and reimbursement from Mead Re was received. There should be no activity under this contract in the future.

## **CONTRACT NO. 2 CORPORATE UNDERWRITERS TREATY**

**07/10/84 - 02/18/85**

When Mead Reinsurance canceled its contract due to losses, coverage was replaced by this treaty arranged by Corporate Underwriters. There was litigation involved with this contract over claims recoveries. Efforts to



recover reinsurance payments in excess of the Pool's retention of \$100,000 per claim and \$1,250,000 annual aggregate were partially successful. Settlements were made with all solvent reinsurers and there should be no further activity. A total of \$1,310,000 was recovered from the reinsurers and Meadowbrook, the Pool's broker for this reinsurance contract.

(Note: The Pool was without reinsurance support from 2/19/85 until 3/1/85)

### **CONTRACT NO. 3 UNITED INSURANCE COMPANY**

**03/01/85 - 03/01/86**

The Corporate Underwriter's treaty was replaced by a policy with United Insurance Company, with the Pool retaining \$150,000 per occurrence and 90% of gross written premium. The cost was 33% of written premium and United was paid \$1,872,000. United paid claims totaling about \$340,000. There should be no further activity under this contract.

### **CONTRACT NO. 4 PINE TOP INSURANCE COMPANY**

**06/15/85 - 03/01/86**

This policy provided limits of \$1 million excess of \$1 million, and was written to enable the Pool to offer limits in excess of \$1 million for the first time. It was canceled prior to anniversary due to the insolvency of Pine Top. To date there are no claims under this contract, and none are expected. The Pool paid more than \$1 million for no coverage.

(It should be noted that in 1985 through 1987, the availability of municipal insurance and reinsurance was almost nonexistent from traditional insurance sources. The Pool was not alone during this period in searching for reinsurance capacity from sources that later proved to be unreliable.)

### **CONTRACT NO. 5 PRUDENTIAL RE, ET AL**

**12/01/85 - 03/01/86**

This was the Pool's first contract with Prudential Reinsurance, which provided coverage of \$1 million excess of \$2 million. It was canceled when the underlying contract with Pine Top was canceled. There were no losses under this contract.

In 1996, Prudential Re was spun off by Prudential in a public offering, and it changed its name to Everest Re (another big rock). Everest Re's 2000 A.M. Best rating is A+ XII.

(Note: The Pool was without reinsurance support from 3/1/86 until 4/1/86.)

**CONTRACT NO. 6 ANECO RE INSURANCE, ET AL**

**04/01/86 - 04/01/87**

This is a primary policy replacing the policy with United Insurance Company, which was not renewed. The Pool reduced its premium and increased its risk by increasing its retention per occurrence to \$500,000, and eliminating its aggregate retention. The limit provided was \$500,000 excess of \$500,000. The Pool also retained a \$500,000 deductible in the insured layer. This is the Pool's first contract with Aneco which provided 30% of the coverage and also with Star Insurance Company which provided 20%. Riverplate Reinsurance, which provided 15% of this coverage, is insolvent. Aneco and Imperial Casualty (7.5%) also are being liquidated. There are two claims exceeding the Pool's retention, both of which were paid for by the Pool's deductible. *Waidener v. Grand Rapids* cost \$539,616 and *Brauer v. Romeo* cost \$583,703.

**CONTRACT NO. 7 PRUDENTIAL RE, ET AL**

**04/01/86 - 04/01/87**

This contract was written to enable the Pool to provide a \$2 million limit to members. Prudential Reinsurance provided 30% of the coverage which provided \$1 million excess of \$1 million. The Florida Insurance Exchange, which is no longer in existence, provided 30% of the coverage, but 13% of that was subsequently placed with the Classic Syndicate on the Illinois Insurance Exchange. The Classic Syndicate was declared insolvent in early 1997. Aneco had 12.5%. The Pool paid \$1,644,000 for this coverage. There have been no claims under this contract.

**CONTRACT NO. 8 STAR INSURANCE COMPANY**

**04/01/86 - 04/01/87**

Star Insurance Company is a subsidiary of Meadowbrook Insurance Group. This contract was written to comply with Michigan law that requires group self-insurers to carry \$5 million aggregate reinsurance. It provided \$5 million coverage in excess of Pool retention equal to 125% of earned premium, and had a provision that the Pool would reimburse Star for any claims at a rate equal to 100/70 of losses. There have

been no claims under this contract.

### CONTRACT NO. 9 NLC MUTUAL

10/01/86 - 10/01/87

This contract provided \$1 million excess of \$2 million of coverage enabling the Pool to offer members limits of \$3 million. NLC-MIC is a captive insurance company that reinsures participating state municipal leagues. NLC and the Pool shared this coverage 50/50. This was a period of high membership growth due to the deterioration of the conventional insurance market for public entities. NLC-MIC has a 2000 Best rating of A VI. There were no claims.

### CONTRACT NO. 10 ANECO/FORUM, ET AL

04/01/87 - 04/01/88

This contract was written upon the expiration of Contract No. 6 and also provided \$500,000 coverage over a specific retention of \$500,000, with a \$500,000 deductible in that layer. The rate was decreased from 20% to 12.5% with Aneco and Forum providing 60% of the coverage. The reinsurer's premium was \$867,033. Aneco and Forum are insolvent and considered uncollectable. Imperial Casualty with 10% has been liquidated and will pay no future claims.

The Pool has some claims under this contract. The \$500,000 deductible was largely depleted by payment of the *Kadelak v. Center Line* claim, which cost \$935,950. The *Milford Township* disaster in which three firefighters were killed also occurred during this contract. That claim cost \$1,137,563 and all reinsurers except Aneco and Forum have paid their share. The *Alessandro v DCC* claim also comes under this contract and has been settled for a total cost of \$664,565. The amount due from Aneco and Forum for these claims is about \$380,000 and is considered uncollectable, though claims were filed with the liquidators.

### CONTRACT NO. 11 PRUDENTIAL RE INSURANCE, ET AL

04/01/87 -04/01/88

This contract provided \$1 million excess of \$1 million coverage with Prudential Reinsurance taking 30%, NLC-MIC 20%, and five other companies including Aneco and Forum provided 10% each. The *Milford Township* claim penetrated this layer by about \$137,563 and all reinsurers paid except Aneco and Forum. The reinsurance premium was \$1,500,000 for this layer. The rate was 25% of Pool premium collected for the first

\$1,000,000 layer.

**CONTRACT NO. 12 NLC-MIC**

**10/01/87 - 04/01/88**

This contract renewed Contract No. 9 providing \$1 million excess of \$2 million, with NLC-MIC and the Pool sharing losses in the layer 50/50. It was canceled 04/01/88 and replaced with Contract No. 15. There have been no claims.

**CONTRACT NO. 13 ANECO/FORUM, ET AL**

**04/01/88 - 04/01/89**

This policy renewed Contract No. 10 providing \$500,000 excess of \$500,000 per occurrence. The rate was reduced from 12.5% to 11.75%, while the deductible was decreased from \$500,000 to \$250,000.

Aneco/Forum provided 50% of the coverage, Star Insurance Company provided 20%, and the Classic Syndicate and Coronet Insurance Company provided 15% each. Coronet has since been declared insolvent.

The Pool sustained its first large loss during this policy term when a police shooting resulted in a \$2,007,505 settlement in *Bontekoe v. Ypsilanti*. The Pool paid the first \$500,000 of this claim, as well as the \$250,000 deductible, and the reinsurers paid \$1,250,000 (\$250,000 under this layer and \$1,000,000 under the 2<sup>nd</sup> layer). The claim of *Hollander and Kastner v Flat Rock* cost \$717,490. The Pool retention should have been \$500,000; but Aneco and Forum provided 50% of the coverage and are not paying claims. The other 50% has been recovered.

**CONTRACT NO. 14 PRUDENTIAL REINSURANCE, ET AL**

**04/01/88 - 04/01/89**

This contract provided \$1 million excess of \$1 million coverage on top of Contract No. 13. Prudential Reinsurance took 30% of the coverage, Belvedere 20%, and Aneco, Forum, Classic, and Star 12.5% each. The \$2 million settlement came under this contract and all reinsurers paid their share of the claim. The Pool premium was \$1,345,809 for this layer. Reinsurers paid \$1,000,000 on *Bontekoe v. Ypsilanti*. No further claims that might exceed \$1 million have been identified to date.

**CONTRACT NO. 15 J.H. MINET, LTD., ET AL**

**04/01/88 - 04/01/89**

This contract provided \$3 million excess of \$2 million, allowing the Pool to offer members a \$5 million limit for the first time. Fifty percent of the coverage was placed by the London brokerage of J.H. Minet using a number of Lloyd's syndicates and London reinsurers. The Pool retained \$500,000 while NLC-MIC and Prudential Reinsurance each took \$500,000. The Pool declined to offer this excess layer to Ypsilanti so the *Bontekoe* claim was not covered excess of \$2,000,000. There are no claims in this layer.

In the spring of 1997, J.H. Minet was acquired by Aon, which proceeded to disband Minet North American Reinsurance division through the summer. Effective October 1, 1997, the Pool assigned its account through a Broker of Record letter to J.K. Buckenham Ltd. Responsibility for servicing claims under contracts effective prior to 10/1/97 was included. The assignment of a new broker did not affect Pool coverage; CNA Reinsurance is the Pool's lead London carrier, and the move to Buckenham was seamless as regards Pool reinsurance.

#### CONTRACT NO. 16 ANECO/FORUM/STAR

04/01/89 - 04/01/90

This is the primary policy providing \$500,000 excess of \$500,000. After suffering a loss in the previous contract, the reinsurers increased the deductible from \$250,000 to \$750,000 in this layer, resulting in an approximate \$500,000 reduction in premium. Aneco and Forum provide 75% of the coverage with Star Insurance Company providing the other 25%. The *Bush v Spring Lake* claim which cost \$4,616,442 fell under this contract and used up \$500,000 of the \$750,000 deductible. Substituting a \$500,000 deductible for a \$500,000 premium was a wise move in that the money saved was safely invested for five years and is available to pay claims while Aneco and Forum would be unable to pay claims and the premiums would have been wasted. The balance of the \$250,000 deductible was used up by *Mazzali v. Munising* which cost \$500,009, *Ferguson and Walker v. Inkster* which cost \$689,800, *Clay v. Fraser* which cost \$509,089, and *Lee v. Richfield Twp/Hilliard v. Davison Twp* which cost \$774,017 (\$51,102 was applied to the deductible and \$222,915 is a reinsurance recovery).

#### CONTRACT NO. 17 PRUDENTIAL REINSURANCE, ET AL

04/01/89 - 04/01/90

This policy provided \$1 million excess \$1 million coverage with Prudential Reinsurance providing 40%. NLC-MIC provided 30% and Aneco, Forum, and Dorinco provided 10% each. Dorinco, owned by Dow Chemical, has an "A" rating and over \$590 million policyholder's surplus. The rate remained at 22% despite the \$1,000,000 reinsurance claim on the expiring \$1,000,000 excess \$1,000,000 contract. The *Bush v Spring*

*Lake* claim was settled for \$4.6 million and Prudential, NLC and Dorinco paid \$800,000. The \$200,000 from Aneco and Forum is uncollectable and was paid by the Pool.

**CONTRACT NO. 18 NLC-MIC**

**04/01/89 - 04/01/90**

This contract provides \$3 million excess of \$2 million coverage. The Pool retained 10% of the coverage and NLC-MIC provided a contract providing \$2,700,000 in limits. NLC-MIC retains 10% of that limit and reinsurers the rest in London. NLC-MIC reimbursed the Pool \$2,315,472 for the *Bush* claim in February, 1994. The Pool's total premium after reinstatement charges was \$1,185,912.

**\$500,000 EXCESS OF \$500,000**

**04/01/90 - 04/01/91**

Effective April 1, 1990, a decision was made to increase the Pool's retention per occurrence to \$1,000,000 and eliminate the \$500,000 excess of \$500,000 layer.

**CONTRACT NO. 19 PRUDENTIAL REINSURANCE, ET AL**

**04/01/90 - 04/01/91**

Contract No. 17 was renewed, providing \$1,000,000 excess of the Pool \$1,000,000 per occurrence retention; Prudential Re provided 60% and J.H. Minet 40%. The *Trisch v Caro* claim which resulted in a total loss of \$2,629,911 million was covered by this treaty as well as the *Schwartz v. Inkster* with a total cost of \$1,272,887. The reinsurance premium came to \$1,518,685 for this layer and the reinsurers paid \$1,000,000 for *Trisch* and \$242,887 for *Schwartz*. At this point the \$1,000,000 x \$1,000,000 treaties sustained a total \$1,000,000 loss in three consecutive years: *Bontekoe v. Ypsilanti* in 88-89, *Bush v. Spring Lake* in 89-90 and *Trisch v. Caro* in 90-91. There are no other claims that appear to have the potential to reach \$1,000,000.

**CONTRACT NO. 20 NLC-MIC**

**04/01/90 - 04/01/91**

This contract provides \$2,900,000 excess of \$2,000,000. The contract is written by NLC-MIC which retains \$500,000 and reinsures the rest in London. The *Trisch v Caro* claim penetrated this layer by about \$604,715. The premium paid was \$1,200,000 for this layer.

**CONTRACT NO. 21 PRUDENTIAL RE AND J. H. MINET****04/01/91 - 04/01/92**

This contract provides \$1,000,000 excess of the Pool's \$1,000,000 retention. Prudential Reinsurance covers 70% and J.H. Minet 30%. The rate was reduced to 20% for the Prudential portion and 19% for the Minet portion. The premium for this layer was \$1,518,485. To date there are no claims reported that appear likely to penetrate this layer.

**CONTRACT NO. 22 J. H. MINET AND NLC-MIC****04/01/91 - 04/01/92**

This contract provides \$3,000,000 excess of \$2,000,000 with J.H. Minet covering 80% and NLC-MIC 20%. The rate was reduced from 23% to 21% and the reinsurers were paid their minimum premium of \$925,000. There are no claims to date.

**APRIL 1, 1992 - 1993**

There were some basic changes in the Pool's reinsurance structure in 1992. The Pool added a \$5,000,000 excess of \$5,000,000 layer of coverage. Also reappearing as the primary reinsurance layer was \$500,000 excess of \$500,000. These changes reduced the Pool retention to \$500,000 per occurrence, and allowed the Pool to offer members a \$10,000,000 per occurrence limit. Transamerica Reinsurance Co. (now Discover Re), with Johnson & Higgins (now Marsh) as the broker, was selected to participate in all layers of the Pool's reinsurance.

**CONTRACT NO. 23 TRANSAMERICA AND PRUDENTIAL****04/01/92 - 04/01/93**

This contract provides \$500,000 excess of the Pool's primary \$500,000 retention. Transamerica provides 60%, Prudential Re 30% and the Pool has a 10% participation. The rate was 13%. Unlike previous policies for this layer, there is no deductible and no aggregate reinsurance limit. The audited premium came to \$1,258,746 for this layer. Four claims have penetrated this layer to date. *Botright and Gotham v Spaulding Township* cost \$561,282 and *Hale and Maples v Allen Park* cost \$816,469, *Garfield Apts v. Clinton Township* cost \$520,015 and *Buyck and Patton v. Clio* cost \$587,212. There are no claims pending against this layer.

**CONTRACT NO. 24 TRANSAMERICA, ET AL**

**04/01/92 - 04/01/93**

This contract provided \$1,000,000 excess \$1,000,000 coverage with Transamerica taking 35%, Prudential 25%, Minet 30% and NLC-MIC 10%. The rate was 15% of the premium for the first \$1,000,000, a significant reduction. The rate has been coming down steadily since the 27.5% rate for the 4/1/85-86 term, but the reinsurers want to collect enough premium to cover one total loss plus their expenses. As the exposure base increases, the rate decreases resulting in a premium of \$1.3 million to \$1.5 million for the layer. The reinsurers' premium came to \$1,290,891. There are still no claims exceeding \$1,000,000 for this policy term.

**CONTRACT NO. 25 J.H. MINET, ET AL****04/01/92 - 04/01/93**

This \$3,000,000 excess \$2,000,000 is shared by J.H. Minet 60%, Transamerica 20%, Prudential 10% and NLC-MIC 10%. The 19% rate is a significant reduction. The rate for this layer has declined steadily from the original 25% rate for the 4/1/88-89 term, but the reinsurers want to achieve a premium of \$950,000. The premium came to \$1,084,565. To date, there are no losses that appear likely to penetrate this layer.

**CONTRACT NO. 26 TRANSAMERICA, ET AL****04/01/92 - 04/01/93**

This \$5,000,000 excess \$5,000,000 treaty enabled the Pool to offer members a \$10,000,000 limit for the first time. Transamerica provides 50% of the coverage, J.H. Minet 30%, Prudential 10% and NLC-MIC 10%. A \$500,000 deposit premium applies. There are no claims to date.

**CONTRACT NO. 27 TRANSAMERICA RE/PRUDENTIAL RE****04/01/93- 04/01/94**

This contract renewed the \$500,000 excess of \$500,000 written in 1992 with the same reinsurers participating in the same proportions. The only difference is a rate increase from 13% to 14%. The reinsurer's premium came to \$1,511,175. The Pool retained the first \$500,000 plus 10% of the \$500,000 x \$500,000 layer. The *Karl v Blackman Twp* claim cost \$723,746, *Henderson v Fenton* cost \$702,760, the *Lincoln Park sewer backup* claim cost \$1,179,817, the *Lewis/Leet v. Burton* cost \$605,371 and *Urbani v. Roseville* cost \$538,917. There is one open claim, *Grenadier v Bloomfield Hills*, that has an incurred value of \$1,136,191 (*McCrumb v Kentwood* which was open on last year's memo has an incurred that is now below our retention).



**CONTRACT NO. 28 TRANSAMERICA, ET AL****04/01/93 - 04/01/94**

This contract renewed the \$1,000,000 excess \$1,000,000 contract written in 1992 with the same reinsurers participating in the same proportions. The rate was reduced from 15% to 14%. The reinsurers' premium was \$1,342,422. The *Lincoln Park sewer back up* case penetrated this layer by \$179,817. The *Grenadier v Bloomfield Hills* has the potential to penetrate this layer by \$135,191.

**CONTRACTS NO. 29 AND NO. 30 TRANSAMERICA, ET AL****04/01/93 - 04/01/94**

The \$3,000,000 excess \$2,000,000 and \$5,000,000 excess \$5,000,000 treaties were renewed without change except for a rate reduction from 19% to 18% for the \$3,000,000 excess \$2,000,000 layer. The premium for this layer was \$1,139,531. No losses that are likely to penetrate this layer have been reported to date. In 1993 Transamerica Corporation spun off its Property Casualty Division. The reinsurance company is now known as Discover Re and maintains its "A- VI" 2000 Best rating with surplus of \$54 million. Discover Re is owned by the St. Paul Companies and maintains an A+ XV rating with surplus of almost \$5 billion.

**CONTRACT NO. 31 TIG, ET AL****04/01/94 - 04/01/95**

This contract renewed the \$500,000 excess of \$500,000 layer with some changes. In exchange for a \$500,000 premium reduction, the Pool accepted a \$500,000 deductible. The layer was renewed at a 10.7% rate and a premium of \$1,167,960. With the new deductible, the Pool discontinued its 10% participation in this layer and placed that portion with NLC-MIC. In the past, retention and deductibles in the \$500,000 excess of \$500,000 layer have resulted in significant savings to the Pool. The *LeBarre v Traverse City* claim that cost \$2,507,111 exhausted the Pool's \$500,000 retention in this layer. Four other cases have penetrated this layer: *Bradley v Elk Rapids* cost \$702,615, *Walker v Muskegon Hts.* cost \$699,664, *Terry v Trenton* cost \$1,579,352, *Lewis v. Roseville* cost \$853,975 and *Mix v Clinton Twp* cost \$572,113. There are two other cases that are still open, *Ethridge v. Grosse Pointe Park* has an incurred value of \$1,022,085, and *Sandstone v Novi* has an incurred value of \$3,570,321.

**CONTRACT NO. 32 TIG, ET AL****04/01/94 - 04/01/95**

The \$1,000,000 excess of \$1,000,000 layer renewed with no changes except for a rate reduction from 14% to

13%. The *LeBarre v Traverse City* claim cost \$1,000,000 in this layer and the *Terry v Trenton* claim has penetrate the layer by \$579,352. *Sandstone Assoc* currently has the potential to penetrate this layer by the full \$1,000,000 limit and penetrate the \$3,000,000 xs \$2,000,000 layer by \$1,520,322. *Ethridge* has the potential to penetrate the \$1,000,000 xs \$1,000,000 layer by \$22,085.

## LIABILITY RENEWALS

04/01/95 - 04/01/96

The liability reinsurance was renewed effective 4/1/95 with no changes except for one point rate reductions for the \$1,000,000 excess \$1,000,000 and \$3,000,000 excess \$2,000,000 layers. The \$1,000,000 excess \$1,000,000 went from 13% to 12% and the \$3,000,000 excess \$2,000,000 went from 18% to 17%. These rates had been falling for years. The 12% rate for the \$1,000,000 excess \$1,000,000 layer is less than 1/2 of the 1987 rate of 25%. This reflects the reinsurers' confidence in the quality of Pool operations and stability of losses. The same companies have reinsured the Pool since April 1, 1992 with the only changes being generally downward annual rate adjustments, and the April 1, 1994 change in the Pool retention in the \$500,000 excess of \$500,000 layer from 10% of each claim to \$500,000 annually.

The Pool incurred the largest settlement in its history with a \$10,000,000 limits claim on *Swans v. City of Lansing*. There are four other claims that have exceeded the Pool's \$500,000 retention: *Gearhart v. Three Rivers* cost \$676,004, *Rank v. Coldwater Board of Public Utilities* cost \$1,030,003 (which exhausted the Pool's retention), *David Shulte v Novi* cost \$589,448 and *Walters v. Grosse Pointe Park* cost \$1,817,920. There is one open claim with the potential to exceed our retention: *Roberts v. Midland* has an incurred value of \$798,866.

## LIABILITY RENEWALS

04/01/96 - 04/01/97

The liability reinsurance was renewed 4/1/96 with no changes except for significant rate reductions. All reinsurers continue to participate in the same proportions as expiring. Prudential Reinsurance was spun off in a public offering and became Everest Re. It has an A+ XII 2000 Best rating and a surplus of more than \$1 billion.

There are five claims thus far that have settled which exceed the Pool's \$500,000 retention. *Hansknecht/Cook v. Howard City* cost \$1,048,853 (which exhausted the Pool's retention) and *Kuciszewski & Johnson v S. Lyon* cost \$728,800, *Birmingham v Fruitport Twp* cost \$581,443, *Smith v. New Baltimore* cost \$537,801 and

*Kalajian v. Grosse Pte Woods* cost \$1,074,972. One other **open** claim has the potential to exceed the Pool's retention: *Residents Mt. Clemens v City of Mt Clemens* has an incurred value of \$822,973.

## LIABILITY RENEWALS

04/01/1997 - 04/01/2000

Pool administration negotiated significant structural changes in the Pool's first reinsurance layer (\$500,000 excess of \$500,000) effective April 1, 1997. After years of declining reinsurance rates, it was deemed prudent to enter into a three-year swing rate agreement with reinsurers, for the purpose of longer term stability in Pool reinsurance rates.

The base premium for each annual term of the first reinsurance layer is 8.50% of the Pool's gross premium for the first \$1,000,000 each occurrence for subject business. Twenty-four months after expiration of the first annual term, the premium shall be adjusted based upon Actual Gross Written Premium x 5.0% + Incurred Losses subject to a maximum of Actual Gross Written Premium x 15.5% (for 1997-98 and 1998-99) and 16.5% (for 1999-2000). The premiums and losses in the Swing Rate Calculation will be cumulative as described below:

- 1<sup>st</sup> Swing calculation on 4/1/2000: 4/1/97-3/31/98 Reinsurance Period
- 2<sup>nd</sup> Swing calculation on 4/1/2001: 4/1/97-3/31/99 Reinsurance Period
- 3<sup>rd</sup> Swing calculation on 4/1/2002: 4/1/97-3/31/2000 Reinsurance Period

Swing calculation is performed each year on April 1 until all claims are closed.

The minimum and maximum percentages increase if the Pool cancels this contract prior to April 1, 2000. The reinsurer cannot cancel prior to expiration.

This contract was proposed and structured by J.H. Minet in London, and accepted by other participating reinsurers. To recognize the contributions of J.H. Minet in improving the Pool's reinsurance stability, 30% of this layer was placed with CNA Reinsurance in London through J.H. Minet. The participation of Discover Re was reduced from 60% to 40%, and the participation of Everest Re was reduced from 30% to 20%. NLC Mutual still participates with 10%.

Also, Clash Coverage *on the US Placement* was included for the first time in the Pool's reinsurance placements. If more than one Pool member is involved in the same occurrence, and each member is liable for a judgment in excess of the Pool's \$500,000 retention, the US reinsurers will pay up to a per occurrence aggregate limit of \$1,000,000 to ensure that the Pool does not pay more than one \$500,000 retention for each occurrence.

Also, all Sunset Provisions were deleted from the Pool's reinsurance placements through Lloyds and other London reinsurers, and Sunrise Provisions were added. Previously, our London placements would not have responded to claims first filed seven years after expiration of the year in which the occurrence took place.

These enhancements effectively delete this limitation, and provide the Pool full occurrence protection across all layers for all classes of subject business.

Lastly, a \$5 million aggregate excess policy was placed with Discover Re. This insurance, which is required by the Michigan Insurance Bureau for group self-insureds, was first mentioned under Contract # 8. It had not been placed by the Pool for many years. State regulators were aware that this coverage was not placed, and despite our requests in writing over the years for written approval from the Michigan Insurance Bureau that the requirement was waived for the Pool, it was never received. When the Michigan Insurance Bureau again asked Pool administration in early 1997 why the coverage wasn't placed -- ignoring our previous correspondence that asked them for an opinion -- it was decided to purchase this easily available coverage and avoid any potential concern of state regulators.

Reinsurance layers above \$500,000 excess \$500,000 were renewed for annual terms and rates as expiring, with all reinsurers maintaining their expiring participation percentages. The rates effective 4/1/97 for these layers was 10.25% for the \$1M x \$1M Layer; 14.35% for the \$3M x \$2M Layer; and 12.00% for the \$5M x \$5M Layer.

April 1, 1998 Anniversary:

\$500,000 x \$500,000: Reinsurers agreed to reduce the 24 maximum rate from 16.5% to 16.0%.

\$1M x \$1M: Reinsurers reduced the rate for this layer from 10.25% to 9.97%.

\$3M x \$2M: Reinsurers reduced the rate for this layer from 14.35% to 12.97%. They also agreed to a No Claims Bonus (NCB) if there are no losses to this layer.

\$5M x \$5M: Reinsurers, with the exception of Discover Re, agreed to reduce the minimum premium to \$300,000 (USF&G will reduce their minimum from \$425,000 to \$400,000)

April 1, 1999 Anniversary:

\$500,000 x \$500,000: Reinsurers agreed to adjust the maximum rate from 15.5% to 16.5%.

\$1M x \$1M: No changes.

\$3M x \$2M: No changes.

\$5M x \$5M: Reinsurers increased the rate for this layer from 12.0% to 14.0%. The minimum premium for this layer for all participants shall be \$400,000.

There are ten claims that have exceeded or have the potential to exceed the Pool's \$500,000 retention. *Salah v. Oak Park* cost \$2,049,386; *Ockert v. Ionia* cost \$5,000,000, *Teed v. Hazel Park* incurred is \$1,937,772, *Pohutski/Dobbs v Allen Park/Melvindale* incurred is \$1,342,171 (clash claim), *Sickels & Shadoian v Beverly Hills & Birmingham* incurred is \$1,680,670 (clash claim), *Class Action Powers v. Alpena* incurred is \$818,331, *Park v. Brownstown Twp* incurred is \$1,748,241, *West v. Wyandotte/Manska v. River Rouge/Dobbs v. Melvindale* incurred is \$1,326,01 (clash claim), *Gilbeau v. Romulus* incurred is \$636,974

and *Kelly v. Marine City* incurred is \$708,220.

**CITY OF ST. CLAIR**

**NEW \$5M xs \$10M**

**10/1/1999 – 9/30/2000**

For the first time the Pool offered an individual member a \$5,000,000 xs \$10,000,000 limit. This excess layer was placed through Discover Re which was retroceded to Employers Re (paper does not recognize this). The premium was \$1,000 per \$1,000,000 of coverage.

**LIABILITY RENEWALS**

**04/01/2000 - 04/01/2001**

There was considerable uncertainty going into this reinsurance renewal. Before the Supreme Court were two cases that, once decided, would have significant consequences for our reinsurers.

**First Sewer Back Ups:** The court was asked to clarify the law. The court could have decide 1) there is no statutory trespass nuisance exception to immunity (a most favorable outcome); 2) a strict liability standard exists (worst case scenario); or 3) to recognize a trespass nuisance exception to immunity, but modify it to provide a negligence standard (considered the most likely outcome). We had conveyed to the reinsurance participants that if unfavorable news did come from this court opinion, quick underwriting action would be taken to protect them. In the meantime, however, the Sewer Back up losses were growing exponentially and reinsurance premium increases would be in order. The Supreme Court response, received in May 2000, continued to hold municipalities strictly liable for the back up of sewers and drains. The Pool, in response, drafted an Absolute Sewer and Drain Exclusion and began attaching it to member renewal policies beginning with July 1, 2000. Had this decision by the Pool administrator not been made immediately upon hearing of the Supreme Court's opinion, the storm of September 2000 would have crippled the Pool.

**Second Robinson v City of Detroit:** The court virtually eliminated municipal liability for police pursuits and also dramatically limited the ability of plaintiffs to pursue claims against individual government employees. This decision was received in September 2000.

**The renewal:** The Swing Rate Insurance Plan was eliminated. The Pool opted to take a three-time corridor deductible [\$1,500,000 in total] on the 1<sup>st</sup> Layer, \$500,000 x \$500,000. All four layers of the reinsurance program had rate increases and for the first time since 1992, the US rates and London rates differed:

1 <sup>st</sup> Layer \$500,000 x \$500,000:	US: 6.47%	London: 12.93%
2 <sup>nd</sup> Layer \$1,000,000 x \$1,000,000:	US: 11.36%	London: 12.72%
3 <sup>rd</sup> Layer \$3,000,000 x \$2,000,000:	US: 14.46%	London: 15.66% No Claims Bonus dropped
4 <sup>th</sup> Layer \$5,000,000 x \$5,000,000:	US: 16.19%	London: 16.66%

Also, it was agreed to by all reinsurers that the participation across each layer be constant and the following was agreed to:

Discover Re's 38% London's 35% Everest Re's 17% and NLC-MIC's 10%

### **CITY OF ST. CLAIR**

**\$5M xs \$10M**

**10/1/2000 – 9/30/2001**

This excess layer of \$5,000,000 xs \$10,000,000 for the City of St Clair was renewed.

### **LIABILITY RENEWALS**

**04/01/2001 - 04/01/2002**

The Pool opted to take a two-time corridor deductible [\$1,000,000 in total] on the 1<sup>st</sup> Layer, \$500,000 xs \$500,000, – this replaced the three-time corridor deductible on the previous contract. It was important to the domestic reinsurers this year that US rates for each layer mirror the London rates (unlike last year). Therefore, rates were quoted “net” and brokerage fees were “in addition to”:

1 <sup>st</sup> Layer, \$500,000 xs \$500,000:	Rate 11.05%	London Commission 1.95%
2 <sup>nd</sup> Layer, \$1M xs \$1M:	Rate 12.75%	London Commission 2.25%
3 <sup>rd</sup> Layer, \$3M xs \$2M:	Rate 16.15%	London Commission 2.85%
4 <sup>th</sup> Layer, \$5M xs \$5M:	Rate 17.855	London Commission 3.15%

We paid flat commission to Marsh of \$125,000.

We paid flat commission to Community Agency of \$33,700.

The overall result of the renewal was an approximate 25% premium increase which was somewhat expected since the loss ratio for the reinsurers had been creeping up and was 97% at the time of renewal. And although we excluded Sewer Back Up [SBU] losses by 7/1/01 and had the benefit of Robinson v. City of Detroit, it was still necessary to pay some back to the reinsurers, mostly because of SBU losses. Total incurred SBU losses to our reinsurers at the time of this writing amount to \$6,609,186 for the period 1993 through 2000. Prior to '93, SBU claims annually had averaged about \$250,000, never impacting the reinsurers. From 1993 through

2000, SBU losses were costing the reinsurers an average of \$944,000 annually .

### **CITY OF ST. CLAIR**

**\$5M xs \$10M**

**10/1/2001 – 9/30/2002**

This excess layer of \$5,000,000 xs \$10,000,000 for the City of St Clair was renewed. However, due to market conditions in 2002, Meadowbrook was requested to notify the City of St. Clair that this layer would not be renewed in 2002. We did not want to use up capacity of our current reinsurers for this single placement and were concerned that should there be a loss to this layer, it would adversely affect the entire program.

### **LIABILITY RENEWALS**

**4/1/2002 - 4/1/2003**

The Pool retained a two-time corridor deductible for this reinsurance term, as well as renewing with the same layers: \$500,000 excess of \$500,000; \$1 million excess of \$1 million; \$3 million excess of \$2 million; and \$5 million excess of \$5 million. The Pool once again self-insured the first \$500,000 per occurrence. New this year is a retention of eight per cent of the \$5 million excess of \$5 million layer. Once again, rates were quoted net with brokerage fees added.

Changes in the structure from the previous year were as follows:

- ✓ All reinsurers are domestic. London reinsurers did not participate this year due to the inability of our London broker to submit a quotation in time for the April 1 renewal.
- ✓ Discover Re increased its participation to 50% across all layers.
- ✓ NLC Mutual and Everest Re increased its participation to 25% for the first three reinsurance layers, and 17% for the fourth (top) layer.
- ✓ The Pool retained 8% of the fourth (top) reinsurance layer.
- ✓ Marsh USA received one brokerage fee of \$275,00 for both the Property and Casualty reinsurance placements. The Community Agency received a brokerage fee of \$87,000.
- ✓ Terrorism coverage was limited to one loss in the first three layers, and excluded in the fourth layer.

1<sup>st</sup> Layer, \$500,000 xs \$500,000:      Rate 11.05%      One treaty limit for terrorism losses

2 <sup>nd</sup> Layer, \$1M xs \$1M:	Rate 18.78%	One treaty limit for terrorism losses
3 <sup>rd</sup> Layer, \$3M xs \$2M:	Rate 17.00%	One treaty limit for terrorism losses
4 <sup>th</sup> Layer, \$5M xs \$5M:	Rate 23.06%	Terrorism excluded in treaty

The City of St. Clair did not renew with the Pool effective October 1, 2002.

## LIABILITY RENEWALS

4/1/2003 -- 4/1/2004

The Pool retained a two-time corridor deductible for this reinsurance term, as well as renewing with the same layers: \$500,000 excess of \$500,000; \$1 million excess of \$1 million; \$3 million excess of \$2 million; and \$5 million excess of \$5 million. The Pool once again self-insured the first \$500,000 per occurrence. Domestic rates were quoted net with brokerage fees added. London has no additional brokerage fees.

Changes in the structure from the previous year were as follows:

- ✓ Discover Re decreased its participation From 50% to 45% across all layers.
- ✓ Everest Re retained its participation at 25% across all layers.
- ✓ NLC Mutual decreased its participation to 20% from 25% across all layers.
- ✓ Lloyds of London returned to participate at 10% across all layers.
- ✓ Marsh USA received one brokerage fee of \$305,00 for both the Property and Casualty reinsurance placements. The Community Agency received a brokerage fee of \$78,000.
- ✓ Terrorism coverage was limited to one loss of the treaty limit.
- ✓ An experience rating plan was introduced. Casualty premiums were increased. Reinsurance rates were adjusted from the prior contract.

1 <sup>st</sup> Layer, \$500,000 xs \$500,000:	Rate 9.25%	One treaty limit for terrorism losses
2 <sup>nd</sup> Layer, \$1M xs \$1M:	Rate 16.50%	One treaty limit for terrorism losses
3 <sup>rd</sup> Layer, \$3M xs \$2M:	Rate 17.00%	One treaty limit for terrorism losses
4 <sup>th</sup> Layer, \$5M xs \$5M:	Rate 21.00%	One treaty limit for terrorism losses

## LIABILITY RENEWALS

4/1/2004 -- 4/1/2005

The Pool retained a two-time corridor deductible for this reinsurance term, as well as renewing with the same



layers: \$500,000 excess of \$500,000; \$1 million excess of \$1 million; \$3 million excess of \$2 million; and \$5 million excess of \$5 million. The Pool once again self-insured the first \$500,000 per occurrence. Domestic rates were quoted net with brokerage fees added. London has no additional brokerage fees.

Changes in the structure from the previous year were as follows:

- ✓ Discover Re retained its participation at 45% across all layers.
- ✓ Everest Re retained its participation at 25% across all layers.
- ✓ NLC Mutual retained its participation at 20% across all layers.
- ✓ Lloyds of London returned to participate at 10% across all layers.
- ✓ Marsh USA received one brokerage fee of \$305,000 for both the Property and Casualty reinsurance placements. Marsh receives no contingent commissions.
- ✓ The Community Agency received a brokerage fee of \$75,000.
- ✓ Terrorism coverage was limited to one loss of the treaty limit.
- ✓ Casualty premiums remain stable relative to exposure.

1 <sup>st</sup> Layer, \$500,000 xs \$500,000:	Rate 9.25%	One treaty limit for terrorism losses
2 <sup>nd</sup> Layer, \$1M xs \$1M:	Rate 16.50%	One treaty limit for terrorism losses
3 <sup>rd</sup> Layer, \$3M xs \$2M:	Rate 17.00%	One treaty limit for terrorism losses
4 <sup>th</sup> Layer, \$5M xs \$5M:	Rate 21.00%	One treaty limit for terrorism losses

### PROPERTY REINSURANCE

The Pool maintains property reinsurance to limit the Pool's maximum loss from one occurrence and to cap the Pool's annual loss retention. The current arrangement has been in place since January 1, 1993. Unlike the liability reinsurance, which renews on April 1, the Property reinsurance is on a calendar year renewal and matches the Pool's fiscal year. Since 1993, the Pool has retained the first \$100,000 of each occurrence. The annual aggregate retention has been 25% of booked premium up until 1997 when it was changed to a flat \$1,500,000. American Reinsurance Company provides \$2,500,000 excess of the Pool and Great American Insurance Company covers excess of \$2,600,000 up to the total value of all property covered by the Pool. American Re has an A++ Best rating, and Great American has an A rating. Coverage is placed through Marsh Inc..

This property arrangement has worked well, giving the Pool unlimited capacity, protecting against large losses and assuring that the Pool will make a profit on this coverage part. The reinsurance rate remained the same at

39% of the Pool premium for the first four years. Effective January 1, 1997, the rate was reduced to 36.8%. Also, in return for a three-year rate guarantee, the Pool agreed to drop the profit-sharing provision. Due to good performance, a Contingent Commission was added back January 1, 1999.

This reinsurance was effective **January 1, 1993** and the Pool had its two largest fires in April. The reinsurance worked as planned. The Pool retained \$100,000 and American Re paid \$572,764 for the Charlevoix fire and \$123,917 for the Hazel Park fire. **January 1, 1994** losses over \$100,000 only cost American Re \$89,193. Unprecedented cold weather caused a large number of losses and the total exceeded the Pools aggregate attachment point. American Re paid \$113,153 for aggregate losses. **January 1, 1995** was a very good year for Pool property coverage. Two losses exceeded the \$100,000 retention by \$105,680 and total losses came to \$885,329, well below the annual attachment point. **January 1, 1996** was the Pool's worst year ever for property losses. The *Gogebic Wastewater Collapse* has exceeded the retention by \$382,115 and total losses exceed \$1,795,000. The reinsurance is working as it should. American Re has paid losses exceeding the aggregate.. The Aggregate received for 1996 has totaled \$500,083. **January 1, 1997** resulted in two claims exceeding the retention by \$287,549. Total losses should not exceed the \$1,500,000 retention. **January 1, 1998** has resulted in one claim (*5/31/98 multiple claimant storm*) thus far exceeding the retention by \$482,267. **January 1, 1999** has resulted in three claims that have exceeded the Pool retention by \$282,050.. **January 1, 2000** has resulted in two claims that have the potential to exceed the SIR by \$703,891 **January 1, 2001**: The general insurance market (and more specifically the property market) has been hardening over the last year and this has impacted the Pool in 2001. And although the Pool's property experience is excellent, a provision was added to the reinsurance contract that limited coverage for Flood Zone A (the Pool was not isolated in this action). Zone A will be limited to \$2,500,000 per occurrence, annual aggregate. Other than Flood Zone A, the Pool will continue to maintain Flood Coverage of \$100,000,000 per occurrence, annual aggregate. The Pool responded to this new provision in the reinsurance contract by amending the coverage document to limit claims in Flood Zone A to \$100,000 per occurrence, annual aggregate. To date there is one claim that has the potential to exceed the Pool's SIR by \$278,437.

**January 1, 2002**: This was an especially difficult reinsurance renewal as the hard market continued and the events of September 11 caused further instability. There were several changes that took place which impacted the Pool's property reinsurance program: 1) We could no longer secure a blanket TIV limit. The Pool secured a layered program: \$2,500,000 x \$100,000 Pool retention Am Re, \$70,000,000 x \$2,500,000 Great American; \$50,000,000 xs \$72,500,000 Hartford Stm Boiler; \$100,000,000 xs \$122,500,000 Liberty Mutual; 2) The Boiler & Machinery was moved from Travelers to Hartford Stm Boiler; 3) The exclusions of Mold, Terrorism and Cyber Risk now appeared in the contracts; 4) The Pool's Aggregate was increased from \$1,500,000 to \$2,500,000; and 5) The overall price increase was 35%. This was considered to be a better

than average property reinsurance renewal. The long term relationship with Am Re and Great American, coupled with our excellent results, helped in our particular case. At this time there is one loss, a fire in the City of Jackson, losses that will exceed the Pool's retention.

**January 1, 2003:** There were several changes that took place which impacted the Pool's property reinsurance program: 1) We could no longer secure a blanket TIV limit. The Pool secured a layered program: \$5,000,000 x \$100,000 Pool retention Munich-American Risk Partners, \$70,000,000 x \$5,000,000 Great American; \$50,000,000 xs \$75,000,000 Hartford Stm Boiler; \$100,000,000 xs \$125,000,000 Liberty Mutual; 2) The Pool's Aggregate was increased from \$2,500,000 to \$2,597,465; and 3) Terrorism coverage was obtained for the 70,000,000 layer with Great American. This was considered to be a better than average property reinsurance renewal. The long term relationship with Am Re and favorable losses helped lower premium 16%. At this time there are three losses that will exceed the Pool's retention; Albion – property damage Total Incurred: \$ 140,000, City of Norway – machinery Total Incurred: \$ 154,111, City of Sturgis – fire Total Incurred: \$ 210,000

**January 1, 2004:** Several changes took place on the Pool's property reinsurance program: 1) The Pool maintained a layered program, blanket TIV limits remain unobtainable. The carrier for the : \$5,000,000 x \$100,000 layer was changed to Discover Re: The \$70,000,000 x \$5,000,000 Layer was changes to St. Paul; Hartford Stm Boiler continues the \$50,000,000 xs \$75,000,000 layer; and Liberty Mutual continues the \$100,000,000 xs \$125,000,000, top layer; 2) The Pool's Aggregate was decreased to \$2,500,000 from \$2,597,465. Changes were made due to pricing increases from incumbents. This is considered a better than average property reinsurance renewal. A long term relationship with Discover Re with casualty coverage helped. We are familiar organization and they promptly pay claims. At this time there are two losses that will exceed the Pool's retention; Kingsford – City Hall fire Total Incurred: \$ 947,962 and Granville – DPW fire Total Incurred: \$ 255,000.

c. Amy Kukla

Thomas J. Wolff

# **Michigan Municipal League Liability & Property Pool**

## **Reinsurance Structure**

### **Property**

**Liberty Mutual/Wausau**

\$100 million  
excess of \$125 million

**Hartford Steam Boiler**

\$50 million  
excess of \$75 million

**St. Paul**

\$70 million  
excess of \$5 million

**Discover Re**

\$4.9 million  
excess of \$100,000

**\$100,000 Pool Retention**

per occurrence,  
\$1.5 million aggregate  
retention

# Michigan Municipal League Liability & Property Pool

## Reinsurance Structure Casualty

**5 million x of 5 million**

45% Discover Re  
25% Everest Re  
20% NLC-MIC  
10% Lloyd's of London

**3 million x of 2 million**

45% Discover Re  
25% Everest Re  
20% NLC-MIC  
10% Lloyd's of London

**1 million x of 1 million**

45% Discover Re  
25% Everest Re  
20% NLC-MIC  
10% Lloyd's of London

**500,000 x of 500,000**  
(two \$500,000 deductibles  
apply)

45% Discover Re  
25% Everest Re  
20% NLC-MIC  
10% Lloyd's of London

**500,000 per occurrence**

Pool Retention

**5,000,000 Aggregate Excess**

100% Discover Re

# Statement of Actuarial Opinion

## Audited Financial Statement of the Michigan Municipal League Liability and Property Pool

For the Year Ended December 31, 2004

Page 1 of 3

### IDENTIFICATION

I, Shelley Taitz Davidson, am associated with the Tillinghast business of Towers Perrin. I am a member of the American Academy of Actuaries and meet its qualification standards for signing statements of actuarial opinion regarding property and casualty insurance company statutory Annual Statements. I am an Associate of the Casualty Actuarial Society. I have been requested by the Michigan Municipal League Liability and Property Pool ("Pool") to render this opinion.

### SCOPE

I have examined the reserves listed below, as shown in the Financial Statement of the Pool as prepared for filing with state regulatory officials as of December 31, 2004.

	Amount
A. Net reserve for losses and loss adjustment expenses	\$11,938,646
B. Net reserve for incurred but not reported losses and loss adjustment expenses	<u>\$22,794,347</u>
	\$34,732,993

My examination of the loss and allocated loss adjustment expense reserves was based upon data and related information prepared by the Pool. In this regard, I relied on Lawrence D. Peck, Risk Manager, Michigan Municipal League Liability and Property Pool, as to the accuracy and completeness of the data. I evaluated the data used directly in my analysis for reasonableness and consistency. My evaluation did not reveal any data points materially affecting my analysis that fell outside of the range of reasonable possibilities. In performing this evaluation, I have assumed that the Pool (a) used its best efforts to supply accurate and complete data and (b) did not knowingly provide any inaccurate data. In other respects, my examination included the use of such actuarial assumptions and methods and such tests of calculations as I considered necessary.

My review was limited to items A and B above, and did not include an analysis of any income statement items or other balance sheet items. My opinion on the reserves is based upon the assumption that all reserves are backed by valid assets, which have suitably scheduled maturities and/or adequate liquidity to meet cash flow requirements.

# Statement of Actuarial Opinion

## Audited Financial Statement of the Michigan Municipal League Liability and Property Pool

For the Year Ended December 31, 2004

Page 2 of 3

My opinion on the loss and allocated loss adjustment expense reserves net of ceded reinsurance assumes that all ceded reinsurance is valid and collectible. In addition, the Pool has represented to me that it knows of no uncollectible reinsurance cessions. I have not anticipated any contingent liabilities that could arise if the reinsurers do not meet their obligations to the Pool as reflected in the data and other information provided to me.

I do not believe that there are significant risks and uncertainties that could result in material adverse deviation in the loss and allocated loss adjustment expense reserves. In consideration of the use of this opinion for purposes of solvency monitoring, I consider \$5.6 million to be material for the Pool, calculated as 25% of members' equity after adjustment of the reserves to a nominal basis. The absence of such risks and uncertainties at this time does not imply that factors will not be identified in the future as having been a significant influence on the Pool's reserves.

Loss and allocated loss adjustment expense reserves have been discounted to present value based on actuarially derived projected payment patterns and a 5.0% interest rate. I am not expressing an opinion on this rate. The amount of discount is \$3.3 million.

Reserves are established gross of anticipated salvage and subrogation.

### OPINION

In my opinion, the amounts recorded in the audited financial statement for the sum of items A and B above:

1. are consistent with amounts computed in accordance with the Casualty Actuarial Society Statement of Principles Regarding Property and Casualty Loss and Loss Adjustment Expense Reserves and relevant standards of practice promulgated by the Actuarial Standards Board; and
2. make a reasonable provision for all unpaid loss and allocated loss expense obligations of the Pool under the terms of its contracts and agreements.

### VARIABILITY

In evaluating whether the reserves make a reasonable provision for unpaid losses and allocated loss expenses, it is necessary to project future loss and allocated loss adjustment expense payments. Actual future losses and allocated loss adjustment

**TOWERS  
PERRIN**  
TILLINGHAST

# Statement of Actuarial Opinion

## Audited Financial Statement of the Michigan Municipal League Liability and Property Pool

For the Year Ended December 31, 2004

Page 3 of 3

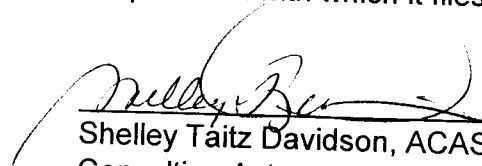
expenses will not develop exactly as projected and may, in fact, vary significantly from the projections.

Further, my projections make no provision for extraordinary future emergence of new classes of losses or types of losses not sufficiently represented in the Pool's historical database or which are not yet quantifiable.

An actuarial report, including underlying work papers supporting the findings expressed in this statement of actuarial opinion, has been provided to the Pool.

This statement of opinion is solely for the use of, and only to be relied upon by, the Pool and the State of Michigan Insurance Department with which it files its audited financial statement.

Date: May 6, 2005

  
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TOWERS  
PERRIN

TILLINGHAST



Pool Membership as of 12-31-2004

24th District Court	Buena Vista Charter Township
33rd Judicial District Court	Bullard Sanford Memorial Library
34th District Court	City of Burton
48th District Court	City of Cadillac
City of Adrian	Village of Caledonia
Village of Akron	Village of Camden
City of Albion	Village of Capac
Alcona County	Village of Carney
City of Allen Park	Carney-Nadeau Sewer & Water Authority
Almont District Library	Caseville Harbor Commission
Ann Arbor District Library	Village of Casnovia
Village of Armada	City of Caspian
Village of Ashley	Caspian Gaastra Fire Authority
Village of Athens	Cass District Library
Au Gres - Sims Police	Village of Cassopolis
City of Au Gres	Cassopolis Area Ambulance Service
Village of Augusta	Cassopolis Area Utilities Authority
Bacon Memorial District Library	Castleton Township
City of Bad Axe	City of Cedar Springs
Village of Bancroft	City of Center Line
City of Bangor	Village of Central Lake
Bay Township	Central Operations for Police Service
Bear Creek Township	City of Charlevoix
City of Beaverton	Charlevoix Public Library
Beecher Metropolitan District	City of Charlotte
City of Belding	Charlotte Community Library
Belvidere Township	City of Chelsea
Bentley Township	Chelsea Recreation Council
Benton Harbor/St. Joseph Joint Wastewater	Village of Chesaning
Benton Twp/Pottersville District Library	Chocolay Charter Township
Village of Benzonia	City of Clare
City of Berkley	Village of Clarkston
Berlin Township	Village of Clinton
Village of Berrien Springs	Clinton Township
Berrien Springs/Oronoko Township Police	Clio Area Fire Authority
City of Big Rapids	Clio Area Library Board
Village of Birch Run	City of Coldwater
City of Birmingham	Coldwater Board of Public Utilities
Village of Blissfield	Community Fire Association
Village of Bloomingdale	Village of Concord
City of Boyne City	City of Coopersville
Boyne District Library	City of Corunna
Village of Boyne Falls	Cromaine District Library
Village of Breckenridge	City of Croswell
Village of Breedsville	City of Crystal Falls
Bridgewater Township	Village of Daggett
City of Bridgman	City of DeWitt
City of Brighton	Dewitt Public Library
Brighton District Library	Dexter District Library
Village of Britton	Village of Dimondale
Village of Brooklyn	Dover Township
Brownstown Charter Township	Downtown Development Authority of Davison
City of Buchanan	Village of Dryden

Pool Membership as of 12-31-2004

Salem Township	Village of Vicksburg
City of Saline	City of Wakefield
Village of Sand Lake	Village of Walkerville
Village of Saranac	City of Walled Lake
Saranac Community Volunteer Fire Dept	City of Watervliet
City of Saugatuck	Waverly Township
City of Sault Ste Marie	City of Wayland
Village of Schoolcraft	Wayland Area Ambulance
Scipio Township	Village of Webberville
Sebewa Township	Wells Township
Village of Sebewaing	White Lake Ambulance Authority
Sebewaing Light & Water	White Lake Building Inspection Board
Village of Shelby	White Lake Solid Waste Authority
Shelby Area District Library	City of Williamston
Village of Sheridan	Village of Wolverine Lake
Village of Shoreham	City of Woodhaven
Sidney Township	City of Wyandotte
South Huron Valley Utility Authority	City of Ypsilanti
City of South Lyon	Ypsilanti Community Utilities
South Macomb Disposal Authority	Ypsilanti District Library
South Macomb Sanitary District	Ypsilanti Charter Township
Village of South Rockwood	City of Zeeland
Southeast Berrien County Landfill	
Southeast Michigan Community Alliance	
Southfield Township	Total Pool Membership at 12-31-2004 = 393
Village of Sparta	
Sparta Fire Department	
Spaulding Township	
Village of Spring Lake	
Spring Lake Township	
Village of Springport	
Stambaugh Cemetery Association	
City of Standish	
City of Stanton	
Village of Stevensville	
Village of Stockbridge	
City of Sturgis	
Summit Township	
City of Swartz Creek	
City of Tecumseh	
Thomas Township Library	
Village of Three Oaks	
City of Three Rivers	
City of Traverse City	
Traverse City Light & Power	
Tuscola Area Airport Authority	
Village of Ubly	
City of Utica	
Utica Riverside 175-MBA	
Van Buren County	
Village of Vandalia	
Village of Vernon	
Vernon Township	